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Adapting Benefit Transfer Mechanisms to Respond to Disasters and Climate Change-Related Events

Mirey Ovadiya

Why Is It Important to Ensure that Benefit Transfer Mechanisms Can Respond to Disasters and Climate Change-Related Events?

Having in place flexible benefit mechanisms which can provide timely and appropriate levels and types of benefits following disasters and climate change–related events is critical. Doing so ensures that social protection benefits are responsive to changing needs that people who were not covered by a social protection program beforehand do not fall into poverty.

Establishing an Effective Benefit Transfer Mechanism

Cross-country experience indicates that mechanisms can be incorporated into existing social protection programs, without the need to construct new structures (ISDR 2011). Even where only a basic payment mechanism exists, building on the existing institutional base is preferable to establishing a new and separate response mechanism.

The types and levels of benefits need to meet basic needs and prevent beneficiaries from adopting negative coping strategies while reestablishing their livelihoods (Harvey and Bailey 2011). As with regular social protection programming, benefit systems for disaster response need to distribute benefits in a predictable and transparent manner, using a reliable payment mechanism.

Determining the Forms, Levels, Frequency, and Duration of Benefits

The nature of the response, the socioeconomic context, and the financing constraints in each country determine the type of benefits and their levels. Program experience indicates that the initial phase of a disaster response program often requires experimentation, monitoring, and adjustment, even where parameters for benefits already exist.

Good practice points to providing benefits that are adequate for subsistence but not so large as to reduce work incentives or contribute to post disaster inflationary effects (Box 1). Large sums—such as payments triggered by the loss of a house or property—should be made as lump-sum payments, keeping in mind security considerations, particularly for households headed by women, elderly people, or people with disabilities.

Successful programs highlight the importance of flexibility in adjusting benefits. In order to avert the disruptions to incomes of individuals participating in its public works window, Bangladesh's Chars Livelihoods Programme put in place a temporary cash advance against future wages in flood-affected areas where the start of the works projects was delayed or disrupted. The initiative proved to be very effective in smoothing consumption.

Benefits levels and the choice between cash or in-kind benefits are often driven by the nature and magnitude of available funding and size of the target population. The following steps should be followed in setting benefits (Del Ninno and others, forthcoming):

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Box 1. Setting post disaster benefit levels in Ethiopia, Mexico, and Pakistan

Countries have adjusted benefit levels of safety net programs in a variety of ways in response to disasters and extreme climate events.

Ethiopia

Ethiopia's Productive Safety Nets Program (PSNP) is a national safety nets program that provides monthly transfers to households for six consecutive months. Public works target able-bodied poor and food-insecure individuals; direct support targets poor and food-secure beneficiaries who have a physical or other constraint that does not allow them to participate in work projects. All PSNP beneficiaries receive the same transfer, regardless of whether they participate in public works or receive direct support. Average estimated annual transfers were $137 per household, worth about 10–40 percent of recipient households' annual basic food needs.

Following an emergency, poor households receive benefits over an extended period of time. After a food shortage caused by extended periods of low rainfall in Ethiopia's highlands in August 2011, for example, the PSNP extended the duration of its regular support for 6.5 million beneficiaries by three months and provided three months of assistance to an additional 3.1 million people living in PSNP areas.

Mexico

Mexico's Programa de Empleo Temporal (PET) uses established daily wage rates in emergency situations. However, the Ministry of Social Welfare and other implementing ministries have the flexibility to adjust the number of days each beneficiary is entitled to work, the length of the work day, and hence the total benefit per household. Benefit levels are set slightly below market wages for unskilled labor (at 99 percent of the wage level) at a rate of 60 pesos ($4.50) a day. The actual number of work days allowed per beneficiary can vary according to the emergency situation, lasting as long as the state of emergency is in place (up to three or four months in some instances). The average intervention is 76 working days per intervention (or $342).

Pakistan

Following major flooding in 2011, the government of Pakistan provided cash payments to millions of affected households, using housing damage as a proxy for impact. It provided cash rather than in-kind assistance because doing so was less costly and provided beneficiaries with more flexibility. The initial Phase I payment of PRe 20,000 ($220) was insufficient for recapitalization of assets given the extent of damage and loss, but it helped households cover immediate needs. The rapid evaluation of Phase I found that families were spending the grants mostly on food, healthcare and medicine, home repairs, and debt repayment (Hunt and others 2012). When additional funding from external donors become available, the government provided total additional payments of PRe40,000 ($440) to flood-affected households in Phase II. Beneficiaries in this phase were expected to use the funds to not only cover basic consumption but to also recapitalize assets and recover their livelihoods.

- Use criteria that reflect how households earn their livings.
- Weigh transaction costs and access to markets and essential goods in choosing between in-kind and cash benefits.
- Develop options based on the availability of funding and the number of potential beneficiaries to be served.
- Establish benefits that complement or supplement existing social assistance benefits.
- Set triggers for phasing benefits in and out.
- As part of disaster preparedness plans, develop guidelines that drive the allocation of resources.

How to establish an Effective Benefit Transfer Mechanism

Establishing an effective benefit transfer mechanism involves several steps.[1] The first step is the assessment of available technology, financial institutions, legal framework, beneficiary access and preferences, and potential service providers. It is important to have good knowledge of the political, institutional, and legal context and the available service provision options.

The second step is the identification of the most appropriate payment mechanisms and systems for reaching the affected population—that is, the selection a modality that ensures transparency, predictability, and timeliness. The following options can be used alone or in combination:

- using existing payment mechanisms by temporarily expanding staff and equipment where outreach already exists in affected areas
- establishing temporary registration and payment or point-of-sale offices in affected areas
- contracting with institutional partners (payment agencies) that have the ability to reach the largest number of affected population and distribute benefit transfers rapidly. Partners can include commercial banks, financial institutions, nongovernmental organizations (NGOs), and public institutions such as postal services or other government agencies.

The case studies[2] demonstrate the value of making effective use of modern technologies to develop post disaster benefit transfer systems at scale (Box 2). Doing so can reduce leakage (from fraud, targeting errors, and other sources) and facilitate wider coverage. Service providers' and beneficiaries' access to technologies, their capacity to efficiently use them, and cost—together with the length and scale of the planned intervention—will be important determinants of the most appropriate choices.

[1] This material is adapted from the World Bank website on *Safety Nets How to: Making Payments*: http://go.worldbank.org/OOY62CHT80

[2] Five case studies-Ethiopia (2), Bangladesh, Mexico and Pakistan featuring use of social protection programs as platforms for disaster risk management can be found in www.worldbank.org/sp.

Finally, it is important that payment processes and mechanisms are monitored to detect problems and correct them as appropriate. Programs in Ethiopia, Mexico, and Pakistan involve regular checks. Bangladesh's Chars Livelihoods Programme (CLP) uses regular customer satisfaction surveys at public work sites to monitor the timeliness and accuracy of payments to beneficiaries. Reported leakages dropped from 19 percent early in CLP-1 to less than 1 percent in the program's last two years (CLP/Maxwell Stamp PLC 2012).

Box 2. Making benefit payments in Bangladesh, Ethiopia, Mexico, and Pakistan

Program officials need to consider the adequacy of different elements of an existing payment mechanism in view of the size, location, and needs of the affected populations and the capacity to administer the mechanism. High- and low-technology options have been implemented with success; the key is to use the most cost-effective option in line with the public and private institutional capacity given the location and accessibility of the target populations.

Bangladesh

For years, Bangladesh's Chars Livelihoods Programme used points of sale at particular locations on specific days to disburse payments through its implementing partners—with good success. In 2012, it began piloting the use of mobile phones to transfer monthly stipend payments to its participants, using bKash, a mobile banking service provider. The system was piloted in one village. Villagers received SIM cards and opened electronic accounts with bKash. The program's implementing partners transferred payments directly to the bKash accounts of registered participants, who collected their cash from local registered agents. The program expected to scale up mobile cash transfers for all beneficiaries in 2012, reaching about 30,000 participants a month.

This innovation decreases transaction costs, reduces the risks of fraud, and allows beneficiaries to access their payments at their convenience. The technology also has spillover effects that may benefit the rest of the community. Beneficiaries can use the facility for other transactions, such as phone usage, SMS, and other cash transfer functions. Temporary migrants can use bKash to send money back to households on the chars. The presence of service agents should spur SIM card and mobile phone ownership and increase their use for social and trade needs. Other projects and programs could use the same SIM cards to disburse transfers.

Ethiopia

A lower-technology option that has worked well is the use of direct payments (in-kind or cash) to beneficiaries through local government structures or implementing agency structures based on a computerized payroll and attendance sheet system. This system is relevant for cash-for-work and noncash transfer programs.

Ethiopia's Productive Safety Net Program makes monthly cash payments to beneficiaries by transferring funds from the Ministry of Finance directly to bank accounts in districts (woredas). Payments are made at several key locations to all community members at the same time. Beneficiaries are paid against confirmed attendance by checking the master attendance sheet and payroll sheets. Payment predictability seems to be a challenge, however, even though improvements have occurred (Berhane, Sabates-Wheeler, and Tefera 2011).

In 2010, the PSNP started distributing paper-based client cards. The cards help the authorities keep track of payments received and provide basic information about the rights and responsibilities of beneficiaries. The cards are intended to improve the transparency of the program and improve information flows. In 2011, 43 percent of beneficiaries had these cards.

Food transfers follow established food management system and emergency response processes of the government, the World Food Programme, and NGO systems.

Mexico

Mexico's Programa de Empleo Temporal (PET) program uses an array of payment mechanisms to respond to the needs and circumstances of its clients. The program is active during nonemergency periods, when it provides temporary employment and livelihood support.

An "emergency" arm, called PETi, is activated in response to disasters. On average, PETi payments are disbursed within five working days after a disaster is declared. Disbursements are made in cash through the Mexican Telecommunications Agency (Telecomm), which has a broad network of cash disbursement facilities around the country. Where fixed cash disbursement facilities do not exist or conditions make it difficult for beneficiaries to reach them, Telecomm sometimes uses mobile facilities. In general, for smaller amounts of cash, the program make payments to community committees, which distribute the cash to households. In areas with better connectivity or areas in which a larger number of beneficiaries live, cash disbursements are made through commercial banks or Telecomm.

Pakistan

Pakistan's Citizen Damage Compensation Programme used an electronic payment system, making payments through a debit card called the Watan card. Payments can be withdrawn at automated teller machines (ATMs) or via payment agents using a point-of-sale device issued by the program. These devices use a computerized operating system that may have a built-in barcode reader, optical scanner, or magnetic stripe slot that captures and validates information from recipients' cards. During both Phase I and Phase II of the program, isolated instances were reported of beneficiaries either not being able to collect their cash transfers (because of technical problems or theft, for example) or being asked to pay bribes (Hunt and others 2011). Recognizing these challenges, the program introduced financial literacy training during Phase II to facilitate use of the Watan card.

The distance and accessibility of the communities to the Watan Card Facilitation Centres or banks varied greatly across the country, constituting a big challenge to the program. In some remote communities, the government provided transportation to the points of sale.

Three commercial banks were selected based on their experience with disasters and internally displaced people, the coverage of their branch networks, and their ability to facilitate payments through points of sale in various provinces. Where branches were not conveniently located, banks set up 101 payment desks—called Watan Card Facilitation Centres (WCFCs)—within program registration and payment centers.

More than 2 million households received payments through payment centers, points of sale, and the commercial branch network. Payment mechanisms evolved over time and were adjusted based on beneficiary satisfaction, ease of access, and fraud-prevention considerations. Very low levels of fraud have been associated with the program.

Tips for Practitioners: Principles to Follow in Creating a Disaster- and Climate Change-Sensitive Payment System

The following tips can help practitioners adapt payment systems following a disaster or climate change–related event: Conduct a rapid assessment of the institutional environment, available service providers, and technology options to develop alternative payment mechanism scenarios for a given budget and target population.

1. Develop specific outreach mechanisms for socially marginalized groups and people with mobility constraints, including elderly people, people with disabilities, and women in certain societies, to ensure timely access to payments/benefits. Consider using mobile banking facilities, providing transportation, and establishing special payment days to address the problem.

2. Use objective criteria that reflect the population's sources of livelihood and asset damage assessment data to determine benefit levels. Ensure complementarity of disaster response benefits with existing social assistance benefits, and have clear criteria and limits on the duration of benefits.

3. Develop a payment mechanism that reflects the country's institutional capacity and allows the best geographic coverage and rapid coverage of beneficiaries.

4. Use a combination of public and private institutions and/or NGOs and civil society organizations to deliver payments. The choice should depend on the robustness of public institutions, governance concerns, and transactions costs.

5. Provide formal guidance (guidelines and orientation/training) to service providers on how to operate the system. Compile and widely disseminate guidelines on payment mechanisms and cycles, taking into account potential beneficiaries' potential lack of financial literacy. Educate staff and implementing partners on how to use the system. Guidelines should cover periodicity, reporting, beneficiary registration and verification, delivery, reconciliation, and grievances. Compile steps and guidelines in a manual that is made available to all stakeholders.

6. Invest in extensive communication about the payment system, which is critical to reducing fraud and corrupt practices. Provide information about the benefit amount, payment locations, payment dates, and requirements to collect payments, as well as public education about legal rights and grievance and redress mechanisms and how to access them.

7. Monitor and evaluate performance, in order to identify and correct bottlenecks and leakages. Ensure that the M&E system includes payment monitoring. Incorporate citizen participation in this process through electronic and more traditional means. Citizen and community participation and oversight of the system foster transparency, create confidence in the program, and provide regular feedback to implementers. Websites, community noticeboards, and meetings with beneficiaries are commonly used; standard social protection program monitoring tools, such as client satisfaction surveys or community scorecards, can also be harnessed.

8. Manage information flows using appropriate technologies such as computerized payroll and attendance sheets, records of disbursements, and banking records and existing beneficiary databases and rosters to verify beneficiary identities, track beneficiaries, and verify payments to them.

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