Adaptive Social Protection for Effective Disaster Risk Management[1]

Photo by: Gajendra Shrestha/World Bank

CONTEXT

Poverty and vulnerability to shocks are widespread in Nepal. Nepal is highly vulnerable to substantial natural hazards, including earthquakes, floods, drought, and landslides. The difficult and varied topography and the significant social vulnerability make the country particularly susceptible to the negative impacts of climate change. The shocks devastate especially the poor and the vulnerable. A quarter of the population is poor, and a significant share of the population is at risk of falling into poverty as a result of shocks. A third of the households reported that they experienced at least one shock in 2016–17.[2] The 2015 earthquake is estimated to have pushed an additional 2.5%–3.5% of Nepalese into poverty.[3] Much of the population is also vulnerable to shocks linked to large-scale economic, political, and health shocks.

Nepal has a large portfolio of social protection programs, which, however, are not yet adaptive. The programs include public sector pensions, Social Security Allowances (SSA), scholarships, health subsidies, and public works and are implemented by a variety of institutions. The SSA account for the largest program, which provides transfers to over 2.3 million senior citizens, single women, individuals with disabilities, children, and endangered ethnicities. Overall, the government spends substantial resources on these programs, over NPR 104 billion, or 3.6% of GDP, in 2017/18, though a large share went for public pensions. However, the programs are mostly categorical in nature and not designed to build resilience of the poor and vulnerable households or respond to shocks.

The Disaster Risk Reduction and Management Act of 2017 is the cornerstone of the government's disaster risk management strategy. With this law, the government has broadened its focus from the traditional reactive approach to a more comprehensive disaster risk management strategy that focuses on all stages of the disaster management cycle: mitigation, preparedness, response, and recovery. The Act also has provision for addressing the impacts of disasters on livelihoods, in addition to housing and infrastructure damage.[4] It creates a National Disaster Risk Reduction and Management Authority, which has not yet been established.

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1 This policy note was drafted by Jyoti Pandey and Soyesh Lakhey based on World Bank (2018) Strengthening linkages between social protection and disaster risk management for adaptive social protection in Nepal, World Bank, Washington DC.
2 World Bank, 2017. Nepal Household Risk and Vulnerability Survey (NHRVS), Wave 2. Unpublished Data. The microdata for the first wave of data collected is available at http://microdata.worldbank.org/index.php/catalog/2905
3 National Planning Commission (2015) Nepal Earthquake 2015: Post Disaster Needs Assessment, 2 vols., Kathmandu.
4 In article eight, the Act refers to special plans and programs for women, children, senior citizens, Dalits, marginalized groups and communities, and people with disabilities and others who are especially at risk during disasters and to the restoration of economic activities, the creation of employment opportunities, and income generation through livelihoods.

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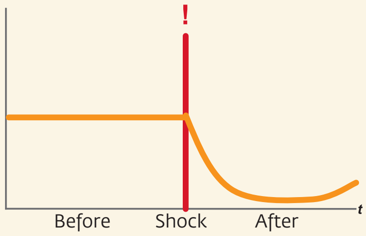
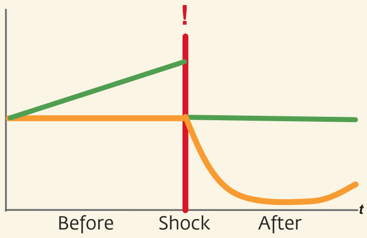
RAPID SOCIAL RESPONSE

SOCIAL PROTECTION CAN MITIGATE THE INCIDENCE AND IMPACT OF SHOCKS AMONG HOUSEHOLDS

HOUSEHOLD WELL-BEING



HOUSEHOLD WELL-BEING WITH ADAPTIVE SOCIAL PROTECTION



Shocks reduce the well-being of households. Covariate shocks, which affect numerous households simultaneously, may be natural (drought, floods, earthquakes, landslides, fires), economic (price increases, a decline in remittances), or political.

Typically, these shocks:

- Have a disproportionate impact on the poor and can push the vulnerable into poverty
- Have long-term effects on human capital, especially among children, through their effects on nutrition, education, and assets

Social protection can help by

- Building resilience through regular, well-targeted programs with adequate benefits, before shocks
- Delivering timely, efficient assistance to protect well-being, after shocks

The "adaptive" approach to social protection integrates it with disaster risk management and adaptation to climate change.

KEY CHALLENGES IN NEPAL

The following challenges need to be addressed to establish adaptive social protection in Nepal.

- **Information systems are weak.** The absence of a national database of poor and vulnerable households, linked to current program beneficiaries, means that identifying eligible and shock-affected individuals or households is difficult. The Department of Civil Registration has begun creating a National Population Register in which each individual will be uniquely identified. The government also plans to issue national IDs to all citizens. This will promote precise identification and coordination across programs.

- **Programs are not systematically focused on reducing poverty or building resilience.** Social protection programs have emerged over the years without an overarching strategic or legal framework. Large programs, such as the Social Security Allowances, identify beneficiaries using demographic or social criteria, that are not necessarily related to poverty or vulnerability. Most programs rely only on cash transfers and do not explicitly promote investments in human capital.

- **Programs are not designed to be scalable in the aftermath of a shock.** Existing social protection programs have fixed benefits and beneficiaries, and mechanisms are lacking to scale up programs in response to shocks by raising the benefits or the number of beneficiaries. The government has not established plans or contingent financing to scale up programs. The United Nations Children's Fund financed expansion of the Social Security Allowance program in response to the earthquake, was designed and implemented after the earthquake.

- **Institutional coordination is limited.** Social protection programs, managed by multiple agencies, are not coordinated with disaster risk management systems, which are largely under the purview of Ministry of Home Affairs.

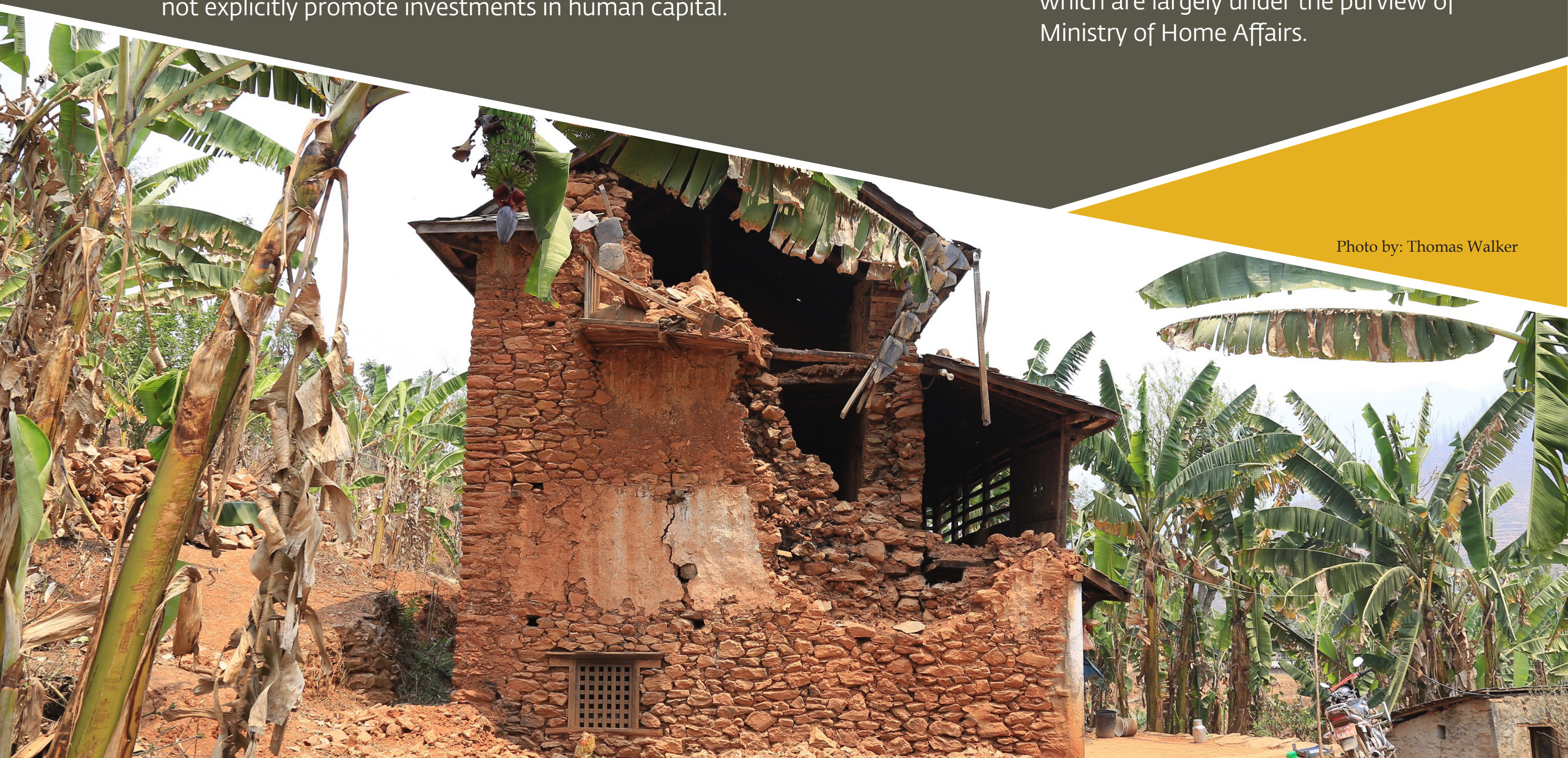
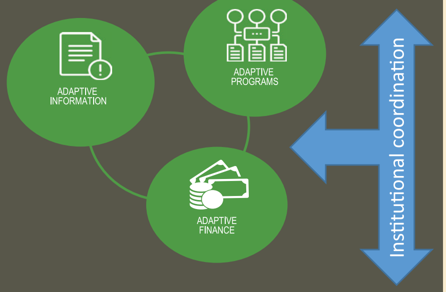


Photo by: Thomas Walker

WHAT CONSTITUTES AN ADAPTIVE SOCIAL PROTECTION SYSTEM?

1. **Adaptive information:** Information systems need to be dynamic to inform program delivery. A social registry should be available that includes information on the poor, the vulnerable, and current social protection program beneficiaries, including their location.
2. **Adaptive programs:** Programs that provide the poor with adequate and regular benefits to build household resilience should be available, along with programs that can be expanded quickly following shocks to reach affected households.
3. **Adaptive financing:** Contingent financing schemes should be accessible, that can be triggered rapidly and efficiently following a shock, as part of a national disaster risk financing strategy.
4. **Institutional coordination:** Programs, systems and institutions responsible for delivering social protection must be systemically coordinated with disaster risk management systems.

THREE BUILDING BLOCKS UNDERPINNED BY INSTITUTIONAL COORDINATION



GLOBAL EXPERIENCE

Philippines: adaptive information and programs

Listahanan, the social registry in the Philippines, is used to identify and locate the poor and other potential beneficiaries of social assistance programs. It contains information on over 15 million households, 75% of all households in the country. It can be used to identify households that are unable to cope with the impacts of a disaster and to plan responses. The government has relied on the registry to estimate the number of households that are likely to be affected by a disaster because of their location.

The Pantawid Pamilyang Pilipino Program (4Ps) is a conditional cash transfer program supporting poor households with children that meet conditions on investment in education and health. Following Typhoon Yolanda, the government and other partners delivered cash-based response programs, including through 4Ps, that were adapted in two ways. First, after the declaration of a state of calamity, beneficiaries in affected areas were temporarily no longer required to comply with the conditions. Second, the World Food Programme and the United Nations Children's Fund relied on the 4Ps to deliver additional transfers to affected households.

Ethiopia: adaptive program and financing

The Productive Safety Net Program (PSNP) is a social safety net program that provides cash or food to households that are chronically food-insecure. It contributes to disaster risk management in two ways. First, it builds household and community resilience by targeting the most vulnerable and developing community assets through public works. The latter are projects centered on adapting to climate change and supporting resilience, including projects that focus on increasing water security, reducing soil erosion, and diversifying livelihoods. Second, the program is scalable. Its coverage can be expanded to protect vulnerable groups ahead of anticipated shocks and reach new beneficiaries during crises.

A risk financing mechanism that was established in 2011 has been used to pre-position program financial resources and initiate program scaling-up following shocks. As a result, the program is adaptive, that is, PSNP can quickly scale up in response to drought, for example, by temporarily raising the number of households the program covers and the amount and/or duration of benefits.

Mexico: adaptive financing

The government of Mexico has established the Fund for Natural Disasters (FONDEN), to allocate monies from the federal budget ex-ante for disaster response and reconstruction, as well as efforts at prevention. FONDEN is an instrument to coordinate the disaster response of various levels of government and across agencies and to quickly provide funds without compromising existing budgetary plans and approved public programs. By law, FONDEN receives at least 0.4 percent of the annual budget, which can be increased following a shock. The fund is nourished by a range of financial instruments, including insurance and reserve funds.

The mandate of FONDEN is to finance (a) emergency assistance to affected populations in the aftermath of a natural disaster; (b) the post disaster rehabilitation and reconstruction of infrastructure, including restoration of the natural environment; and (c) the rehabilitation and reconstruction of low-income housing. Some social protection programs, such as the Temporary Employment Program (PET) and the Housing Support Program have post-disaster components in their program design to support early recovery and reconstruction of damaged infrastructure and housing. In the aftermath of a disaster, these programs can receive funding from FONDEN to scale up their programs.

RECENT LEGISLATION OFFERS A UNIQUE OPPORTUNITY TO REALIZE ADAPTIVE SOCIAL PROTECTION

- **Disaster Risk Reduction and Management** regulations can be used to institutionalize links between disaster risk management systems mainly under the Ministry of Home Affairs, and social protection programs and systems; and to address impact of disasters on livelihoods.
- **Social Security Act** has provision for transfers to the economically poor and vulnerable which can contribute to building resilience prior to shocks.
- **Right to Employment Act** has provisions for employment opportunities and cash transfers for the poor and unemployed which can contribute to building resilience.

In addition, the Prime Minister's Employment Program (PMEP) announced in the FY 2019 budget speech noted public works program to ensure minimum employment. These public works could be designed to be adaptive by focusing on climate resilient small infrastructure.

Photo by: Jyoti Pandey/World Bank

POLICY RECOMMENDATIONS

While multiple pathways exist for adaptive social protection, four policy directions emerge as key for Nepal:

1. Establish an adaptive information system for the identification of households vulnerable to shocks

- Develop a policy framework to establish an adaptive information system based on a social registry.
- Develop a national social registry of uniquely identified households and their members, that contains socio-economic and spatial data, building on existing data. The registry can help determine the eligibility of individuals or households for multiple programs and identify those vulnerable to shocks.
- Ensure interoperability between the social registry and beneficiary databases of social protection programs through the use of a unique identification number.
- Further develop early warning information systems to inform planning for early response.

2. Build adaptive programs that promote household and community resilience, and that can be scaled up for rapid response and recovery

- (Re)focus existing and new programs, including the Prime Minister's Employment Program, to ensure the coverage of the poorest and those individuals and households most exposed to shocks.
- Design public works programs to build assets for community resilience by integrating the programs with action plans for climate change adaptation and other disaster risk management activities.
- Add provisions in guidelines of social protection programs, such as that of SSA, to allow for temporary scaling up of programs, to complement humanitarian response. This requires defining rules for horizontal and vertical expansion and establishing mechanisms to trigger scaling-up, for example by linking to early warning system.

3. Develop adaptive financing mechanisms to ensure timely response

- Establish contingency financing for disaster response at all levels of government, as provided for in the DRRM Act, and enable the use of social protection systems including social registry and payment systems, to deliver relief to individuals and households affected by shocks.
- Develop a long-term disaster risk financing strategy with a mix of instruments, including contingency budgeting, contingent credit lines, such as the catastrophe-deferred drawdown option, and risk transfer products, such as insurance.

4. Establish robust institutional links between disaster risk management and social protection

- Ensure that DRRM regulations enable the realization of the provisions in the DRRM Act to implement special programs for vulnerable population, and post-disaster assistance to address impacts of disasters on livelihoods and not simply impact on housing.
- Ensure that the National Disaster Risk Reduction and Management Authority has a separate cell or unit for social protection to facilitate the above.