



Providing Social Protection and Livelihood Support During Post Earthquake Recovery¹

A Introduction

1. Providing basic income and employment support is an essential component of the government efforts to rebuild Sichuan from the devastation caused by the earthquake. The primary objective of such policies would be to protect the most vulnerable households in the affected communities. These policies can also have benefits in terms of rejuvenating local economic activities by creating purchasing power in affected areas, as well as rebuilding severely damaged basic infrastructure by integrating some reconstruction activities with social protection programs.

2. The note will focus on two main approaches in this regard – *cash transfer* and *public works* programs. We will introduce the experience of Pakistan, which used the cash transfer program to protect the vulnerable and help regenerate local economies after its 2005 earthquake. The experience of several countries in implementing public works programs will be introduced to illustrate how a public works program can be a flexible instrument for providing short-term income support while at the same time contributing to the recovery of essential public infrastructure. Building on these country experiences, the note will discuss the key lessons relevant for China.

B Cash Transfers Program

3. A cash transfer program developed in response to a natural disaster offers direct assistance in the form of cash to the target group. It is often designed for a finite period until economic activities pick up and generate employment opportunities. The key features of cash transfers programs and the experience of the cash grants introduced in Pakistan in 2005 are summarized below.

4. ***Who is it for?*** Temporary cash support programs can be universal for all disaster-affected areas, targeted further geographically depending on the degree of impact, or targeted at the household level on those who have lost their capacity to earn a livelihood as a result of the disaster. Geographic targeting would be appropriate in areas where the damage is extensive and most households are affected. In areas where the affected population is dispersed, household-level targeting becomes necessary.

5. Targeted beneficiaries at the household level include all those who are displaced and living in temporary shelters or relief camps, as well as other households who are especially vulnerable (for example, households headed by the elderly, widows, or families who have experienced the death of the main income earner). Additional criteria

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for identifying the most vulnerable among those affected should be developed by the authorities and informed by a careful damage and needs assessment.

6. In Pakistan, cash grants developed after the earthquake were targeted at the household level. Eligibility criteria were established and a targeting mechanism was adopted as explained in following section.

7. ***How is it designed?*** As in the case of the Pakistan program, an effective cash transfer program requires the following main design ingredients:

8. ***Eligibility conditions:*** The eligibility criteria for cash transfers program that uses household level targeting should include all potentially vulnerable categories of the disaster-affected population, and be simple and easily verifiable, without significant administrative burden to implement. In Pakistan, eligible households were those who had 5 or more children (including orphans), headed by women, or with any disabled member.

9. Once criteria are established, the process for identifying beneficiary households can either left to communities or be administered by local authorities. Since communities are fractured and scattered in the aftermath of a disaster, mobilizing effective community targeting is often difficult. It is for this reason that in Pakistan, the authorities decided to select beneficiaries through a well-defined targeting process. A simple targeting form was administered to collect information from all households in affected areas. As information was collected, it was reviewed against the eligibility conditions, and households were selected for the program. A clear grievance process was implemented to ensure that those households who felt wrongly excluded could appeal, and local government officials had the responsibility to investigate and resolve the appeals.

10. ***Transfer amount and duration:*** The amount of transfers per household should take into account what is needed on average to cover basic necessities. The officially established poverty line provides a reference point for estimating such needs. The exact payment duration for cash transfers is usually specified.

11. In Pakistan, a monthly cash grant amount of \$50 per household was granted to eligible households. It was established based on a calculation of needs for a household size of seven on average. A policy decision was made by the government that the payment would be uniform for all beneficiary households and would continue for 6 months.

12. ***Delivery of benefit payments:*** The delivery of payments should ensure that the program serves to alleviate cash constraints of the needy. Beneficiaries should be able to access payments without high transaction costs in terms of dealing with intermediaries and travel time costs. If identification cards (IDs) are needed to access the benefits, arrangements should be made to provide IDs to those who have lost them or never had them. Options for distributing payments include banks, post offices, and other institutions. The flow of funds should be transparent and auditable.



13. In Pakistan, the government opted to make benefit payments through banks and made arrangements for beneficiaries to open bank accounts for free. However, the accessibility of banks was problematic in remote areas of the country and caused some payment delays. Some households (such as those headed by older women and widows) were also hard to reach.

14. **Program costs:** The cost of the program should include: The *benefit cost*, which requires estimating the number of beneficiaries, and the *implementation cost* for data collection, monitoring, and general administration. The latter is usually around 10 percent of the program cost.

15. In Pakistan, a damage assessment of lost livelihoods combined with data from household surveys estimated that about 250,000 households would be covered by the program. The total cost of the program was \$85 million over the six month period.

16. **Implementation arrangements:** The success of cash transfers program depends on clear implementation arrangements. Most importantly, there is a need for a clear process for:

- Setting policy directions and parameters, including establishing the eligibility criteria, determining payment amounts and the duration (and phasing out) of payments;
- Overseeing the targeting process and the mechanisms for addressing grievances and appeals

17. In the absence of a regular social assistance program prior to the disaster, Pakistan put in place the implementation mechanisms to administer the cash grants. A comprehensive manual specifying the detailed eligibility criteria, rules for validation and appeals, and the accountabilities of different tiers of government was developed before implementation. A complete database was created for all households who applied for the program, and the information could be cross-checked with the national ID system. With such a systematic database, it was easier to extend the program to the most vulnerable households (widows and elderly, for example) and transfer them to the regular social safety net programs.

18. **How should the program be phased out?** To avoid dependency on subsidies, a clear and transparent exit strategy needs to be defined prior to the initiation of the program. The exit strategy will help ensure that the program does not deter the beneficiaries from looking for regular employment.

19. When phasing out the transfer, the government can consider adopting different approaches to different population groups. For those able bodied people, the program can move first from unconditional to conditional transfers. Conditions can be based on work (e.g. participation in a public works program) or actions that would prepare the beneficiaries for employment opportunities.



20. For the most vulnerable affected households without working capacity (e.g. households headed by elderly people, with disabled member or orphans), the cash transfer can be delivered through the regular social welfare programs, and if necessary at an enhanced level for a period of time.

C Public Works Program

21. Public works programs have been important instruments in developed and developing countries to counter the impact of disasters. These programs typically provide unskilled labor with short-term employment on projects such as road construction and maintenance and other basic infrastructure projects. The programs are often funded with budgetary resources, but can also be implemented by small-scale private contractors, NGOs or Social Investment Funds (SIFs) or Community Driven Development (CDD) programs.

22. ***Why public works program?*** A public works program offers several appealing features that can help address challenges arising from natural disasters:

- It provides income transfers to affected populations and can help households meet consumption shortfalls and other immediate needs.
- The programs can help create or restore much needed infrastructure in the disaster affected areas, through, for example debris removal, repair of community water supply and sanitation schemes, repair or construction of public buildings such as community centers, and minor road repairs.
- The programs can be easily targeted to specific geographic areas. The affected communities and poor households can benefit directly from the transfer of income and indirectly from the physical assets that the program creates and/or maintains.
- The labor intensive nature of public works program and the low level of income imply that the program can target on the most needy through self-selection and incur limited administrative cost. Overall, the program is flexible, can be easily scaled up, and can mobilize resources quickly.

23. Public works programs have been widely used in the aftermath of natural disasters and major conflict. Countries such as Indonesia, India, Madagascar, Ethiopia, Kenya, and Honduras all implemented similar programs to counter impact of various shocks. In Indonesia some 18,000 participants were involved in public works programs in around 60 villages after the tsunami. It made quick and safe disbursement of assistance possible. Assistance was delivered on a widespread basis in emergencies and had positive impacts at the individual and community level.

24. ***How is the public works program designed?*** To realize the full potential of a public works program during the post- disaster recovery efforts, the program design



should need to have the following key design features, following international best practices.

25. ***Setting the wage level to assist the targeted population:*** The wage rate is a key element that determines the distributional outcomes of the program. To target the poor and ensure that they self-select themselves into the program, the wage should be set at a level slightly below the prevailing market wage for unskilled manual labor. Setting wages at a low level will also ensure that such temporary work programs do not crowd out the creation of more permanent job opportunities.

26. Argentina and India's public works programs, although not initiated as disaster response programs, provide two useful examples in this regard. In Argentina, the wage rate was set to be below the minimum wage in 2000. This policy change further expanded the program which already covered 400,000 people in 16,000 projects. In contrast, in the employment guarantee scheme in the India state of Maharashtra, the wage level of the scheme increased substantially when the minimum wage rate was doubled in 1988, leading to a significant drop in the number of person-days of employment generated.

27. ***Determining the content and duration of public works activities:*** The type of public works selected should be targeted to disaster-affected regions, be based on the needs of specific communities, and produce infrastructure that is owned and managed by communities or the government. The assets created should be of maximum value to the people in those areas.

28. How many person-days of employment per household should a public works program provide on a more regular basis? The answer should depend on the likelihood of risks, and the degree to which people are insured. These parameters determine how much stabilization impact the program can offer. Having a regular program in place can be of great benefit in times of disaster, as the program can be easily scaled up as needed.

29. ***Choosing the level of labor intensity to make the program cost effective*** – An important determinant of the cost effectiveness of a public works program is how big a share the wage bill constitutes of the total program cost. Many factors determine the share, particularly the nature of the asset created. To meet the objective of short term employment relief and to ensure that the program is cost-effective, having a higher share of labor cost in the total program cost is desirable.

30. It is estimated that for most road construction projects, the cost of labor ranges from 40 to 50 percent of the total costs. In road or drainage maintenance projects, the ratio ranges between 70 and 80 percent. In Argentina, the share of labor costs ranged from 30 to 70 percent for the public works program depending on the type of project. In South Korea, the share of labor costs was close to 70 percent.



31. ***What are some implementation considerations?*** Although labor-intensive public works programs have the potential to create short-term employment and income support for poor households, one should bear in mind several important implementation issues:

- How are projects selected
- How much self-selection is practiced by participants
- How does the fund flow
- How well is the program monitored

32. Some of the large national or sub-national programs tend to be supply-driven, implemented by local bodies but subject to pre-determined centrally devised guidelines. Some programs, especially the relatively small projects managed under the umbrella of SIF/CDD programs, are demand-driven in nature. Communities submit ideas for potential projects to the SIFs, which then screen these ideas for viability after a quick cost-benefit analysis. Local authorities and program managers apply directly to higher-level administration for funding, and allocations are made based on size of the subprojects and other indicators considered important for achieving the project objectives. Local communities implement the approved projects, often hiring private contractors to administer the work.

33. In Honduras, the Honduras Social Investment Fund (FHIS) played a pivotal role in responding to requests from both the local and central levels to help rebuild the country's critical local infrastructure after Hurricane Mitch in 1998. With the operational flexibility afforded by its legal framework and relatively lean structure, the FHIS was able to respond to the crisis immediately. It established 11 regional offices. Its technical experts were in disaster areas within hours of receiving the hurricane's damage assessment. They estimated the need to clean up mud and debris, and repair or replace water and sanitation systems, access roads, bridges, health centers, and schools. Recognizing the need for quick action, the FHIS greatly simplified its standard subproject requirements while maintaining certain safeguard requirements to ensure accountability. Within 100 days, FHIS approved 2100 projects with a total value of US\$40 million. Within a year, about 3400 emergency subprojects were financed. FHIS's immediate focus on restoring economic activities and basic social services prevented the emergency from aggravating poverty. Labor accounted for about 70 percent of clean-up activities and 25 to 30 percent of the value of most subprojects. FHIS created about 100,000 person-months of employment during the first 3 months after hurricane Mitch.

D Additional Recommendations

34. The key design principles and features introduced in sections above are important recommendations for China's policymakers to consider in designing the social protection programs in response to disaster.

35. In addition, we would like to highlight the following additional points:



Concerning cash transfers program

36. **Cash vs. in-kind assistance:** Given the magnitude of the disaster and the need to assist the affected and vulnerable households swiftly, developing a quick cash transfer program that gets the needed cash into the hands of the affected population has some clear advantages. The indirect effect of creating purchasing power and markets in affected areas was visible in the case of Pakistan from the quick spot-check assessments conducted and is expected to have the same effect in China. .

37. **Universality vs. targeting:** The need to reach a large population in a very short period of time implies that universal benefit for those in the affected area may be an appropriate measure compared to the adoption of sophisticated targeting mechanisms. However, it is important to recognize that such universal benefit has to be time-bound and will need to be transitioned to a more targeted approach. For this purpose, specifying the timetable for the short term support in a very transparent manner is critical.

38. **Exit strategy and integration with existing safety net schemes:** The fact that China has some pre-existing safety net programs such as *wubao* and *dibao* is a huge advantage. The institutional knowledge and capacity is readily available, and adjustments can be made to support the affected individuals and households through these existing instruments. Moving forward, policymakers may need to further differentiate those affected by the earthquake and identify those requiring social assistance. Among this group, it may be necessary to

- Consider introducing work condition (e.g., requiring them to participate in the public works program) for those who have working capacity and assist them in finding productive employment opportunities;
- Assist those eligible for *wubao* to receive community-based or institution-based care;
- Assess eligibility of the poor for the social assistance benefit (*dibao*), and extend assistance through the system.

39. Given the very modest level of protection that the rural *wubao* and *dibao* programs offer, it would be justifiable to provide beneficiaries with an enhanced level of benefits for a period of time or provide a lump sum grant to help them re-establish their basic livelihoods.



Concerning public works program

40. ***Build on existing administrative infrastructure:*** It seems sensible to build on the public works programs supported by the national poverty alleviation program and the ministry of labor and social security. This would ensure that basic program administrative structure is well in place and that key operational guidelines are developed. This would also allow for quick implementation of public works program to support the next stage of reconstruction.

41. ***Design and manage an effective public works program:*** As discussed in earlier, it is important to realize the benefit and limitation of public works program. To fully realize its potential as a short term income support program, one needs to design the key policy parameters accordingly. In the meantime, it is important to recognize that a public works program is not a long term employment program and cannot be expected to serve as the vehicle for long term human capital investment.

42. ***Develop community driven programs.*** Community driven development programs are in their early stage of development in China. The State Council Leading Group on Poverty Reduction has been working with the World Bank to experiment with this approach. At the same time, there are extensive experiences worldwide of this model as well as rich literature on their impacts. It is timely for China to take stock of international and its own experience. China should use such participatory approaches in the public works program to support the post disaster recovery and reconstruction.