


Role of cash transfers and other Social Safety Nets after a disaster



Carlo del Ninno

HD Network - Social Protection

Workshop on
**Building Resilient Communities: Risk Management
and Response to Natural Disasters**

June 13, 2008 - Bangkok



Outline

- Typology of shocks
- Impact
 - Diagnostics – Who is affected
- Role of SSN
 - What type of response
 - What instruments
 - Implementation matters
- Key messages
- WB response in South Asia



A typology of disasters

- Type and probability of occurrence:
 - **Hydro-meteorological hazards** (droughts, floods, hurricanes)
 - probabilities in doubt because of climate change
 - predictable, so EWS required
 - **Geophysical hazards** (earthquakes, tsunamis, eruptions)
 - occur infrequently
 - potentially more destructive
 - spatial hazard assessments mostly good;
 - events are largely unpredictable



Location and extent of impact

- Localized/provincial
 - Earthquake (Pakistan 2005)
 - Tropical storm (Philippines, annual)
- Widespread, Nationwide, Economy-wide
 - Tropical storm - Island economies
 - River flood - two thirds of the country under water (Bangladesh, 1998)
- Across several countries/regional
 - Drought in Southern Africa 1991/2; Sahel 1983/4
 - Tropical storm - Caribbean and Central America e.g. Hurricane Mitch



Economic and social impact

- A) Impact on growth (macro)
 - Sometimes difficult to measure
- B) Impact on poverty
 - Direct and indirect.. (More later)
- C) Social impact
 - Psychological, disability, etc.
- D) Public and private assets
 - Public infrastructures
 - Private housing, livestock, etc.



Impact on poverty

- The poor are particularly vulnerable to natural disasters:
 - Are more likely to reside in hazardous locations, and in substandard housing
 - Have limited access to ex-ante RM instruments
 - More likely to lose jobs/income
 - Less capable of smoothing consumption
 - More likely to dis-invest in income generating assets and human capital
 - Less able to rebuild income generating assets, longer time to recover; poverty traps



Who is affected the most

- Use of vulnerability and needs assessment (a lot depends on the type of disaster)
 - Distinguish between physical (direct) and economic (indirect) impacts
 - Identify the victims
 - What should be done in the short run to help those affected?
 - Are markets and supply chains functioning?
- SP Response depends on relative intensity of above impacts and needs



SP policy response: ex ante and ex post

- Ex ante interventions: prior to disaster
 - Prevention: decrease vulnerability
 - Mitigation: reduce impact through portfolio choice, insurance
 - Preparedness including EWS and contingency plans for SSN
 - Integration of disaster risks in development strategies and investment planning
- Ex post: coping after the occurrence of the disaster
 - Immediate and short-term response
 - SSN
 - Livelihood support
 - Facilitate recovery and reconstruction
- Note: choice of interventions depend on the nature and location of the disaster



Role of SSN immediately after a disaster - Limited

- “Saving Lives” activity and relief operations to prevent further suffering and losses are both undertaken by countries themselves, NGOs, International organizations (Red Cross; WFP) and donors
- To assist all affected people
- No clear time boundaries in practice
- Challenge: initial relief decisions can establish institutional arrangements and determine choice of instruments that continue during recovery and reconstruction



The SSN response

- **Social safety nets programs play a triple role in the response to raising food prices:**
 - Guarantee the minimum level of consumption
 - help households maintain access to food and essential services for health and education
 - Prevent the increases in poverty and inequality; protecting assets; Rebuilding assets
 - Helps maintaining social equilibrium and in avoiding policies that will further aggravate the problem



SSN response: Which tools?

- Existing programs or new programs?
 - Examine the design, scope and quality of existing programs to determine which of them are best placed to channel additional resources to those most in need of assistance in the short run and where improvements or new programs are needed in the medium term
- Good safety net programs take time to develop, usually a minimum of 4-6 months to get a new program started from scratch, with a longer period to refine it
- The short run response is to scale up existing programs



The toolbox for relief and recovery: Transfers in cash and kind

- Transfers in cash or in-kind assistance (food, clothing, temporary housing)
 - Cash or kind? Depending on markets and extent of areas affected (...what would one do with cash if food markets aren't functioning – moreover, too much cash could chase too few goodsinflationary), and time to organize
 - On site feeding might be necessary
- Challenges:
 - Targeting (Affected vs. poor; direct vs. indirect)
 - Implementation: Selection of beneficiaries and Disbursement
 - Fears around corruption, gender, security often overcome
- Assess appropriateness on a context by context basis



The toolbox for relief and recovery: Public works

- Public works (clean up, restoration of roads, housing, etc.)
 - To provide income and employment in absence of economic activity
 - Where significant infrastructure restoration is needed
 - Self targeting mechanism a plus
 - Challenges:
 - Sometimes not the first response because of unsuitable weather conditions or other constraints
 - Targeting: May not reach the most vulnerable (displaced)



Public works example

■ Ache

- Work programs are useful for transitioning from the relief period (clearing debris) to the reconstruction/rehabilitation phase (crop-planting, livelihood restoration, etc.)
- Works as long as
 - there are people idle, and is not displacing economic activities (harvest for example).
 - The wage rate is “right”
 - Compensate women and others excluded



The toolbox for relief and recovery: Other tools

- Fee waivers and tax breaks – health, education, water, livestock markets
- Micro-credit – writing off loans, re-capitalising
- Universal price subsidies
 - If impact is widespread and commodities consumed by the poor are affected it might work (Madagascar in 2004)



The toolbox: Examples

- **In Bangladesh** the focus remained on in-kind transfers, specifically in the short-term response, but even in the longer term.
- **In Sri Lanka:** Cash for work and cash transfers
- **In Indonesia** many programs available:
 - Eg. Mercy Corps implemented a CFW program directed at those villages where the population planned to return, or villages where a substantial population were willing and able to work and within a limited geographic reach so that programs could be observed and monitored easily. Coverage up to 17,000 each month. The program initially focused on clean-up activities and then moved on to rehabilitation and reconstruction of public facilities – agriculture and livelihoods reconstruction such as rice-planting and boat-building.
 - Cash-for-work excluded many female-headed-households as they could not leave their children to attend to the work program



Implementation: The institutions

- Range of actors – state, local civil society, MFIs, donors, UN, NGOs
- Source of financing - International humanitarian aid as provider of last resort; role of state
- Administrative capacity linked to existence of proven programs and mechanisms
- In poorest states debate about relief and development – in poorest states little development to build on or link back to.

Implementation matters:

Targeting

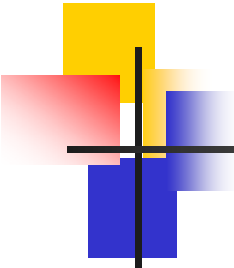
- Objective

- Short term stay simple, e.g. damage to house/assets
 - Can have moral hazard implications
- Medium term and very large disasters, target on poverty

- Reality

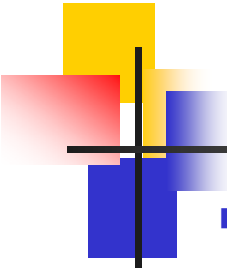
- Time and logistics constraints

Implementation matters: Targeting (2)



- Use the simplest targeting mechanism that does not require verification (self targeting and universal targeting)
- Rely on available mechanisms
- Be aware of the straining on the administration

Implementation matters: Targeting (3)



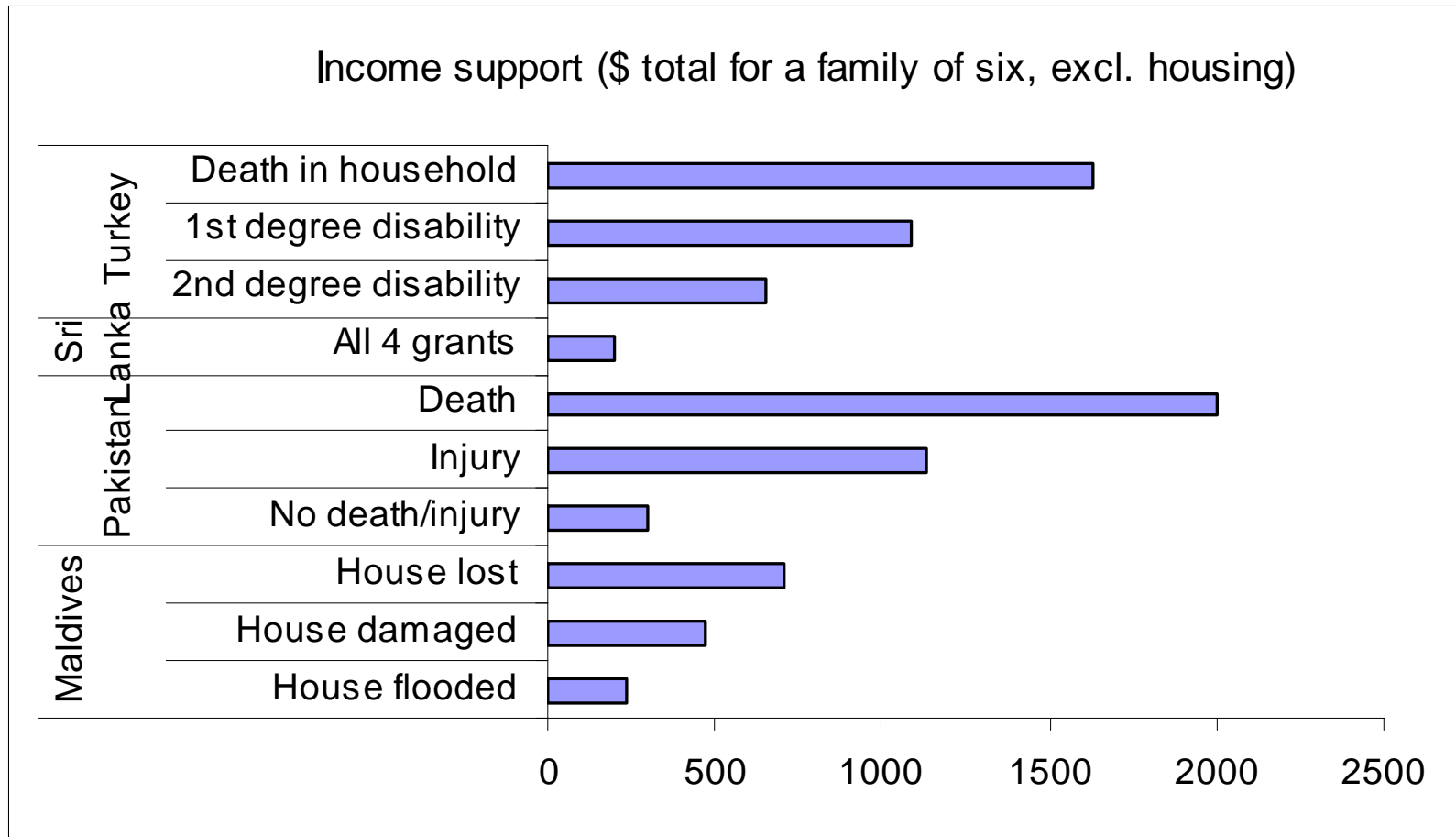
- In **Pakistan** targeting for housing compensation was universal, loss of Land was targeted at those in relief camps instead The Livelihoods Support Cash Grant targeted specific vulnerable groups: widows, the disabled and orphans.
- In **Bangladesh** Targeting and distribution was relatively easy however, as due to the evacuation program, the authorities knew where the majority of people were located. Cash was provided for house reconstruction. The focus of this assistance was on the poorest and most vulnerable: women-headed households, widows, elderly, the handicapped and the extremely poor.
- **In Sri Lanka** Oxfam's response to the Tsunami in Sri Lanka targeted three different groups in helping to recover livelihoods: small business owners, farmers, people engaged in the lace-making and *coir* industry.

Implementation matters:

Duration, frequency, level of benefits

- Duration: short for most, medium term for the poorest
- Frequency: just a few transfers unless banking is well-developed
- Benefit level: adequate but not so high to affect work incentives; give large amounts only as one-off compensation

Level of benefits – SA experience





Level of benefits – SA experience

Differences:

- Benefit amounts varied widely:
- A family of six got from \$200-\$2,000 (excl. housing)
- % of per capita GDP transferred per member was
Pk:7-48%; SL:3%; MV:1.5-4.5%.



Level of benefits – SA experience

Further differences:

- Frequency: 6+ transfers in Pk; 4 in SL; 1 in MV.
- Eligibility rules:
 - All affected by damage to house
 - All affected by death or disability
 - Specific poor or vulnerable in affected areas
- Delivery channels – mostly bank accounts but also cash in hand (MV)
- Time of delivery – MV: most got cash within 1 month; SL: started within 3 months; Pk: within 6 months.
- Most focus on short and medium term cash support; disability project in PK with focus on long term vulnerable.

Key messages





Key message #1: Before next disaster

- Mainstream disaster management into the poverty reduction framework
 - Understanding of the vulnerability to disasters

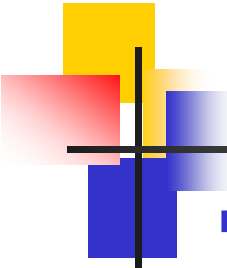
- A well-functioning SP system in place prior to disaster helps hasten response and mitigate hardship
 - Design and support SSN programs
 - Include plans for scaling up; targeting and delivery mechanisms
 - Strengthen capacity of national SP agencies
 - Alternative plans for public finance management
 - Use of contingency funds
 - Use explicit reallocation of funds protecting other budget items
 - Use of food stocks
 - Insurance mechanisms
 - Do not forget about monitoring and evaluation

Key message #1:

Before next disaster - Example

- In **Pakistan**, it took a while to form disaster response committees and the longer term rehabilitation bodies
- In **Bangladesh**, a National Disaster Prevention Strategy was already in place so 3 million were evacuated and 1.5m housed in cyclone shelters. A preliminary list of post-emergency activities had already been prepared. The national coordination system which also works with civil society, ensures a coordinated approach. They have also established an M&E system.

Key message #2: When something happens



- Follow some kind of decision tree in case of emergency taking into account:
 - Type of disaster and people affected
 - Existing SP instruments and programs that can be expanded quickly
 - Cost effectiveness of instruments
 - Role of the state and political economy of emergency response
- Need to use a variety of programs
- Use in kind and cash transfers for consumption smoothing, housing, asset rebuilding
 - Watch for adverse incentive effects
- Look for opportunities for workfare
- Implementation matters

Key message #2:

When something happens – Eg.

- During the Bam (Iran) earthquake, the affected population had access to a variety of safety nets:
 - bereavement compensation (accessible by all),
 - cash transfers to those on the Welfare Organization list (targeting the poor); and
 - payments to orphans (targeting specific vulnerable groups).
- Pre-existing channels: the local Welfare Organization was able to register vulnerable groups directly after the earthquake



Key message #3: The day after

From relief to development:

Linking social protection and disasters

- Risk Reduction in high vulnerability situations: moving from chronic relief to longer term safety nets – Ethiopia, southern Africa
- Linking disaster risk reduction, humanitarian aid and social protection policy debates

World Bank programs in SA





Bank interventions in SA

Pakistan earthquake:

- Bank financed cash grants for 250,000 households in six payments of Rs. 3,000 (US\$50) per household.
- Government also financed one-off payments for death/ injury of Rs. 100,000 (US\$1,660 - death); Rs. 15,000-50,000 (US\$ 250-166 for injury).

Sri Lanka tsunami:

- LKR 5,000 (\$50) cash grants in four rounds for 250,000 households (1st and 2nd round), later 160,000 HHs.

Maldives tsunami :

- One-time cash transfer to 10,000 households of Rf. 500, 1000, or 1500 (US\$39-117) per HH member depending on damage



Bank interventions in SA: outcome

- Bank financed income support/cash transfers performed well and provided much needed relief to affected households
- Bank did not finance workfare/food/CCTs; (though other agencies did workfare and food).
- Cash transfers should remain integral part of the Bank's disaster work
- Bank can gear up for higher impact through timely and high-quality support for design and implementation of these instruments



Last Message

- Buy the Safety Nets book!!