



# ODI Shockwatch

Review of the literature on social protection shock  
responses and readiness

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# Abbreviations

ALMP	Active labour-market programme
ARC	African Risk Capacity
AU	African Union
CBT	Community-based targeting
CCT	Conditional cash transfer
CDD	Community Driven Development
CFW	Cash for work
CFWTEP	Cash for Work Temporary Employment Project (Liberia)
CLEEP	Comprehensive Livelihood and Emergency Employment Programme
CT	Cash Transfer
DfID	Department for International Development (UK)
DP	Development Partners
DPO	Development Policy Operations
ECA	East and Central Asia
EAP	Economically-active population
EAP	East Asia and Pacific
EIS	Employment insurance system
EPWP	Expanded Public Works Programme
FDI	Foreign Direct Investment
FFW	Food for Work
GBP	British Pound
GFCRP	Global Food Crisis Response Program
HICs	High-income countries
HMICs	Higher Middle Income Countries
HSNP	Hunger Safety Net Programme
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
ILO	International Labour Organization
IMF	International Monetary Fund
INFRA	Infrastructure Recovery and Assets Platform
IPC	International Policy Centre for Inclusive Growth
ISSA	International Social Security Association
KDP	Kecamatan Development Programme
KPI	Key Performance Indicators
LAC	Latin America and the Caribbean
LFS	Labour Force Survey
LICs	Low-income countries
LIPWP	Labour Intensive Public Works Programme
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Schemes
MENA	Middle East and North Africa
MICs	Middle-income countries
NEETS	Not in employment, education or training (youth)
NOK	Norwegian Krone
OECD	Organisation for Economic Co-operation and Development
PATI	Programa de Apoyo Temporal al Ingreso
PEP	Public Employment Programme
PMT	Proxy means test
PSNP	Productivity Safety Nets Programme
PWP	Public Works Programme
RSR	Rapid Social Response
SI	Social Insurance
SPF	Social protection floor
SSA	Sub-Saharan Africa
SSN	Social safety net

UCT	Unconditional cash transfer
UI	Unemployment insurance
UK	United Kingdom
UN	United Nations
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Development
US	United States
VFF	Vulnerability Financing Fund
WHO	World Health Organization
YEEP	Youth Employment and Empowerment Programme

## Executive summary

This literature review explores two main issues relating to the social protection response to the food, fuel and financial crisis of 2007-2009 – the so-called ‘triple F crisis’ – in low- and middle-income countries (LICs and MICs):

- the expectations and perspectives of development partners on the role of social protection in shock response, and
- the experience of scaling up social protection responses during the 2007-2009 ‘triple crisis’ (food, fuel and finance) in low- and middle-income countries, and the implications for future shock readiness.

The review identifies and discusses the main types of social protection instruments adopted – social assistance, social security, and active labour-market policies (ALMPs) – and examines the relative merits and drawbacks of each in low- and middle- income countries. Appendix 1 outlines the main instruments adopted in a number of selected countries from each region. Appendix 2 provides a brief review of the role of the Rapid Social Response (RSR) facility in scaling up the response process.

The main conclusions of the review are as follows.

### **1 Different crises and different impacts are often conflated**

The different impacts (in terms of duration, affected group, severity of impact, etc.) as well as the associated social protection requirements related to the different forms of crisis to which a country is vulnerable, are not differentiated adequately in either programming or the related literature. There is little or no rigorous definition of the nature of the crises to which systems are trying to respond, which impacts are being addressed and which population groups are of primary concern and why. It is not always possible to differentiate the impacts of various crises, especially when countries experience a range of crises simultaneously, but there is scope to improve analytical thinking around these questions, and the programme design responses.

### **2 Three main approaches are discussed in the literature**

The literature focuses on three conventional forms of social protection as shock response options; social assistance, social security, and active labour market policies (ALMPs). There is little focus on alternative instruments, such as in-kind transfers, subsidies or formal linkages with humanitarian style responses, which may be more relevant in terms of rapid response and short-term implementation.

### **3 New programmes take time to initiate**

Many conventional social protection instruments are not amenable to rapid scale up at the point of crisis, and new systems can take several years to become effective at scale, particularly in contexts that have constraints on both resources and capacity.

### **4 Programmes can only go to scale when well established**

It is only possible to scale up existing programmes to reach significant coverage levels in the short-term where existing programmes, administrative- and delivery systems are well established. The set of feasible response options is limited by existing provision, and scale up will also be constrained where programmes are fragmented and have low coverage. Pre-crisis provision, therefore, determines what options are viable, and the conditions under which expansion is possible.

### **5 Much current shock-response programming is marginal**

Existing social protection coverage and associated shock-related responses are marginal in terms of the proportion of the eligible people who receive support in many LICs and perhaps many MICs. In many cases, the support is short-term relative to needs and provided tardily. To identify large-scale response options where existing coverage is poor, it may be relevant to look outside existing social protection systems and at response options in the humanitarian sector.

### **6 The role of Public Works Programmes (PWPs) in shock response is ambiguous**

Public Works Programmes (PWPs) require considerable time for design and roll out and are not an option for rapid crisis response. Rapid expansion may be possible where effective context-specific models are being implemented, but not in contexts of low institutional and administrative capacity as

PWPs have high administrative resource requirements. Most PWPs implemented as part of shock-response programmes in LICs are not readily scalable.

## **7 Unemployment insurance is not significant in low-income countries**

The scale of unemployment insurance (UI) provision in most LICs, and many MICs, is such that it is only relevant to a small percentage of formal-sector workers and the benefits it offers are limited to the short-term. Therefore, attempts to use UI as an instrument for shock response, even among formal sector employees, is likely to result in minimal levels of coverage. UI is not a relevant instrument for mass shock response, and is given more prominence in the programming debate than is merited by its likely impact.

## **8 ALMPs are of limited value to a limited target group**

The value of ALMPs in LICs is likely to be limited, given its minimal reach into the informal sector, the chronic nature of under-employment and unemployment and the on-going debate on the efficacy of some ALMP elements such as retraining. It is not clear that investment in ALMPs represents an efficient use of scarce shock-response funding in LIC contexts.

## **9 Meeting the needs of informal sector workers remains a challenge**

Whether affected by crises in food or finance, informal-sector workers remain a challenge in terms of social protection provision that responds to shocks, as they are excluded from social security and also from most social assistance in LICs, where cash transfers are highly rationed and tend to exclude those with available labour.

## **10 There are different potential groups of beneficiaries and lack of criteria to drive decisions on allocation**

The groups considered eligible for shock response programming include the chronically poor, whose poverty is deepening, and the new poor who may remain less poor, in absolute terms, than the original caseload. The two groups have different characteristics, with the new poor unlikely to be eligible for support under the established instruments that are in place for the chronically poor. There may be a tension in attempting to design shock-responsive programming using chronic poverty responsive instruments. There is, at present, no clear process to guide the ethical dilemmas and allocative trade-offs raised by these questions in terms of allocating resources to the new or old poor.

## **11 Second-best options may be appropriate**

The adoption of second-best options, such as subsidies or school feeding, may offer a pragmatic response to future shock response, and be the most feasible and cost-efficient option where institutional weakness and limited existing systems constrain intervention options. The role of subsidies is not discussed or promoted widely as part of response agenda, but may be a feasible option in LICs.

## **12 The crises of 2007-2009 offer an opportunity to promote social protection**

The crises of 2007-2009 have provided an opportunity to focus additional funding resources and institutional energy on social protection and to invest in the stronger national systems and key institutions required for future social protection programme development. These include central registries, which can play a key role in both on-going provision and, perhaps, shock response capacity, with a potential catalytic role for Rapid Social Response (RSR).

## **13 There is a tension between developing systems that are crisis responsive and those that work to address chronic poverty**

Existing social assistance systems do not function well as a basis for crisis response, given their different chronic poverty and shock caseloads and support requirements. The focus on future shock-response capacity in current programming may not be appropriate in terms of on-going social protection systems development and may distort or potentially undermine progress on the development of systems to address chronic poverty. There is a risk of diverting critical resources required for the development of sustainable systems development into shock response activities.

## **14 Financing remains a critical issue**

The sustainability of short-term RSR-funded interventions is in question, and there is a need to identify resources both for counter-cyclical shock-responsive and conventional social protection programming



in a global economic context that faces constraints. There is a need to explore new financing options, such as the African Risk Capacity (ARC) and innovations, such as the proposed sovereign fund as continued systems development will require on-going external financing.

### **15 There may be a tension between the international community's macro-economic and social sector responses to the financial crisis**

There may be a continuing tension between the macro-economic stance of major donors and their stance on shock-responsive social protection programming. Despite widespread recognition of the need for counter-cyclical stimulus measures at a policy level, evidence suggests that World Bank and International Monetary Fund (IMF) operations in fact often promoted a contractionary fiscal stance in practice. The dominance of this macro-economic argument is resulting in continuing downward pressure on government spending and there is limited ring fencing to counter the negative impacts on social spending. This highlights an inconsistency between macro- and micro-policy prescriptions within key development actors.

### **16 The financial crisis represents an on-going challenge**

The financial crisis is not yet over in terms of its implications for fiscal contraction and the on-going deterioration of fiscal space. There is a need to relocate the debate on social protection systems development within this context of on-going crisis and to recognise and address the fiscal implications.

Finally, a set of future research questions has emerged from this literature review;

- Further analysis on the extent to which different groups need support and appropriate instruments to provide that support.
- Clarify the debate on, and challenges to, attempts to service both the 'new poor' and the chronically poor in a single instrument, and highlight the trade-offs and tensions between shock response and the development of adequate responses to chronic poverty.
- Review the scale of provision to test concern that it is marginal in many LICs, despite the resources and literature dedicated to it, and that it may overstate the reality of responses and impacts.
- Explore scale up lessons that are being developed in the humanitarian sector for the scale up of cash transfers (CTs) and that link across into the social protection development sector.
- Carry out an empirical appraisal of the potential of alternative and second-best approaches to shock response, such as subsidies (excepting fossil fuel subsidies).
- Explore the opportunities for counter-cyclical funding for social protection, drawing on recent humanitarian, RSR and ARC experiences, as well as proposals for alternative financing of systems expansion.
- Consider whether shocks, and the associated responses, should be conceptualized in terms of a medium-term process, rather than a short-term, one or two year event.
- Explore whether on-going fiscal constraint may represent a greater threat to access to basic goods and services than the failure to extend social protection expansion in the wake of a crisis.
- Explore the tension between multilateral agency-supported fiscal-stability prescriptions and the practice and objectives of extending social protection provision.

# 1 Introduction

Donors are interested in the potential role of social protection as a shock-response instrument and are investing in social protection provision, in part, to enable it to play a greater role in future shock responses. This provision functions at both household level to protect consumption and at macro-economic levels to promote demand and protect growth (see for example the new World Bank Social Protection and Labor Policy, World Bank 2012).

The background to this review is the adverse impact of the global food, fuel and financial crises of 2007-2009 described as 'the triple F crisis' (Addison and Tarp, 2009) on human-development outcomes in low- and middle-income countries (LICs and MICs), and the desire to learn how and if social protection can play a greater role in the response to such shocks in the future.

The food crisis resulted in a 43% rise in global food prices between March 2007 and March 2008 and was followed quickly by the 2008-2009 global financial crisis, which represented a severe shock to the global economy, resulting in an estimated 53 million additional people living in poverty in 2009 (Chen and Ravallion, 2009), rising to 64 million by the end of 2010 (World Bank, 2011). The crisis is still affecting many countries in terms of reduced growth rates, on-going fiscal contraction and elevated unemployment (Ortiz and Cummins, 2013). These combined crises led to concerns within the international community about the direct and indirect impact on the poor, which can be traced through three main vectors: food- and fuel-price inflation; reduced employment and incomes; and reduced government spending on key social programmes as a result of fiscal contraction (ILO, 2012; IEG, 2012). These three vectors combined reduce both access to, and the availability of, basic goods and services, as well as having an adverse impact on national economic growth and stability, and it is the response to these crises that is the subject of this review.

The welfare impacts at household level were experienced as deeper poverty, longer periods of poverty, reduced asset bases, lower risk-and-return production and consumption choices, and reduced use of basic social services (ILO, 2012; IEG, 2012).

Grosh et al. (2011) suggest that rising food prices have the potential to affect human development by increasing poverty, worsening nutrition, reducing education and health service utilisation and depleting the productive assets of the poor, with potentially life-long impacts. At the same time, the combined effect of the triple F crisis exacerbated regional inequalities, with rural areas that faced a food deficit becoming poorer, and the emergence of a class of 'new poor', predominantly from urban areas, created 'classic political economy dilemmas regarding best use of resources' (Compton et al., 2010, cited in Grosh et al., 2011).

In this context the role of social protection was perceived to be to

*'mitigate the social and economic impact [...] cushion drops in income to support living standards of households; help maintain capital investments and preserve assets; and [...]facilitate job search and opportunity' (IEG, 2012:129).*

In order to support immediate shock responses, and to prepare for more effective social protection responses to future shocks, a number of bilateral contributors financed the World Bank-managed Rapid Social Response (RSR) Trust Fund, established in 2009 to promote the development of social protection systems in LICs and MICs. The RSR Trust Fund aims to address poverty, promote economic stabilisation, and limit social and political destabilisation.

This literature review explores two main issues relating to the social protection response to the food, fuel and financial crisis of 2007-2009 in LICs and MICs:

- the expectations and perspectives of development partners (DPs) on the role of social protection in shock response, and
- the experience of scaling up social protection responses during the 2007-2009 'triple F crisis' in LICs and MICs, and the implications for future shock readiness.

The review also provides a brief analysis of the role of RSR Trust Fund in facilitating this scale up process.

This literature review was carried out as part of a broader piece of work that aims to inform the development of a shock-readiness toolkit that reflects the expectations of the donor community and to ensure that readiness is tested against the anticipated performance outcomes.

## 1.1 Structure

The review identifies and discusses the main types of social protection instruments adopted – social assistance, social security, and active labour-market policies (ALMPs) – and examines the relative merits and drawbacks of each in LICs and MICs. A list of the major social protection instruments that were extended or initiated in the wake of the crisis are set out for 46 selected countries in Appendix 1, for reference purposes.

This review has four main sections. The first outlines expectations and perspectives on the role that social protection could and should perform in relation to future shock response, as articulated in the main documents available from the major development institutions active in this field. The second section reviews the literature on the social protection response to the 2007-2009 crisis in LICs and MICs, outlining the pattern of instrument usage and discussing the performance and relative merits and limitations of these instruments. The third section discusses the main challenge to scaling up provision, and identifies key conditions for effective responses, including a review of the key fiscal issues that highlights the on-going tension between demands for the extension (or protection) of existing social protection and basic service provision, and external pressure to prioritise macro-economic stabilisation objectives and deficit management. Finally, the fourth section draws conclusions on the lessons emerging from the literature on the discourse about development agency objectives in crisis response, instrument choice, and broader institutional challenges and sets out recommendations for future programming and research.

## 1.2 Methodology

This literature review was based on the identification and analysis of key documents through a literature search and advice from key informants within the UK Department for International Development (DFID), followed by a backwards and forwards snowballing process that drew on references in the relevant documents that were identified.

## 1.3 Overview of the literature

The review process identified two main types of literature: one comprising studies of the design and performance of specific interventions, and the other providing overviews of the response options, reviews of the overall performance (including evaluations of performance), and proposing conditions for successful programming. Specific overview documents have provided the main core resources for this review, with the main sources being the International Labour Organization (ILO), World Bank, the Independent Evaluation Group (IEG) and the International Social Security Association (ISSA), which offer considerable homogeneity of analysis and prescription. The International Policy Centre for Inclusive Growth (IPC), UNICEF and some other bodies have provided a counterpoint to the main themes and some critical insights, particularly on the characterisation of the nature of the crisis, and on the macro-economic and fiscal context. The review process indicated, however, that some major assumptions underlying this debate remain largely unexplored, and these issues are highlighted in the final section for possible future analysis.

The full list of documents identified and reviewed is included in the reference list.

## 2 Donor perspectives on crisis response

This section outlines the expectations of major international development actors of the role social protection can and should play in terms of response readiness against future shocks.

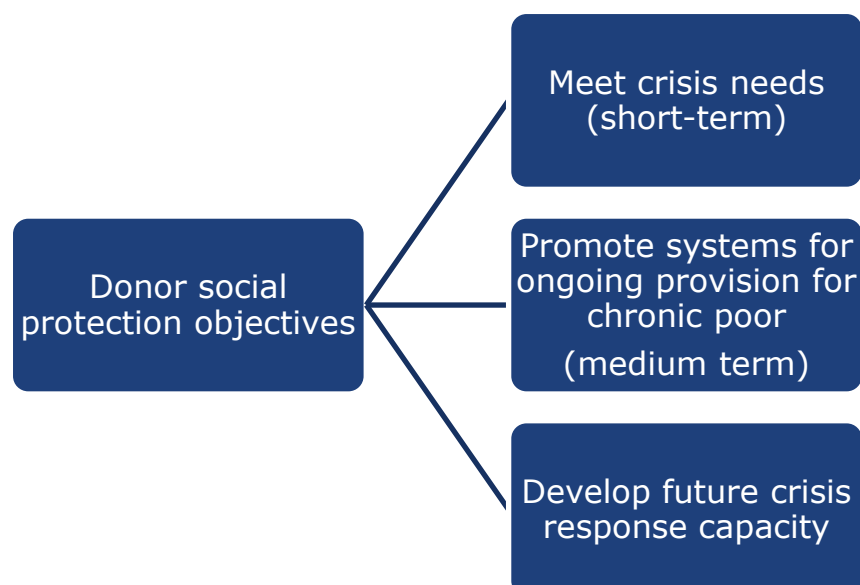
The ILO and the World Bank are the main international agencies that are active in the provision of large-scale support to many nations, and that are also active in discussing policy, recording and analysing country-level shock responses and recommending the design of response programmes. This section sets out some relevant perspectives from the literature produced by these agencies, together with International Social Security Association (ISSA), and the Independent Evaluation Group (IEG) of the World Bank, which carried out a 2010 evaluation of the Bank's SSN activity from 2000-2010 that included some shock-response activity, and a 2012 evaluation that looked explicitly at the Bank's shock-response programming (IEG, 2010; IEG, 2012). The aim is to assist an understanding of their institutional approaches and priorities and highlight their current thinking on shock-response programming. Perspectives from other agencies, such as UNICEF and the IPC, are also included, particularly where they provide further analysis or alternative conceptual or analytical approaches.

### 2.1 Objectives

In terms of social-protection provision, three main first-order objectives are articulated throughout the literature, namely: to meet immediate needs, to promote systems development, and to develop future shock-responsiveness (IEG, 2012:146). The RSR itself is 'designed to assist countries address urgent social needs stemming from the crisis, and to build up capacity and institutions to respond better to future crisis' (World Bank, 2009, cited in World Bank, 2012a).

These three objectives are illustrated in Figure 1.

**Figure 1: First-order social-protection objectives relating to shock response**

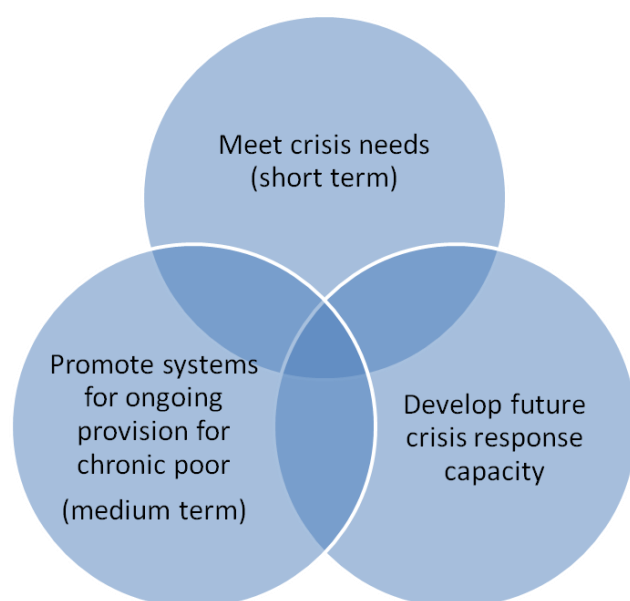


This approach is driven by a common understanding of the lessons from previous crises, such as the Asian Financial Crisis of 1997-9 and the Latin American crisis of 1998-9, as explained by the IEG:

*'The urgency of preparing for systemic shocks became particularly clear after the food, fuel and financial crises, during which lessons from previous crises were underscored: those countries that had prepared during 'good times' by developing permanent SSN programs or institutions were better positioned to scale up as needed.'* (IEG, 2010, 80)

This understanding led to the recommendation that the development community should promote engagement in times of stability to build up systems of social protection provision, to ensure that countries could respond more effectively to future shocks (IEG, 2010). To this end, the RSR Trust Fund aims to build and strengthen safety net provision in LICs in order to address future, as well as current crisis needs (IEG, 2012). In its sample study of RSR activities, IEG found that 80% of resources were allocated to activities that aimed to promote social protection capacity to mitigate future crisis effects (IEG, 2010). While some activity may be found at the intersection of these three different first-order social protection objectives, many of the activities under these three objectives are likely to require different approaches and instruments and may even entail support to different population, as illustrated in Figure 2.

**Figure 2: Objectives relating to shock-response social protection**

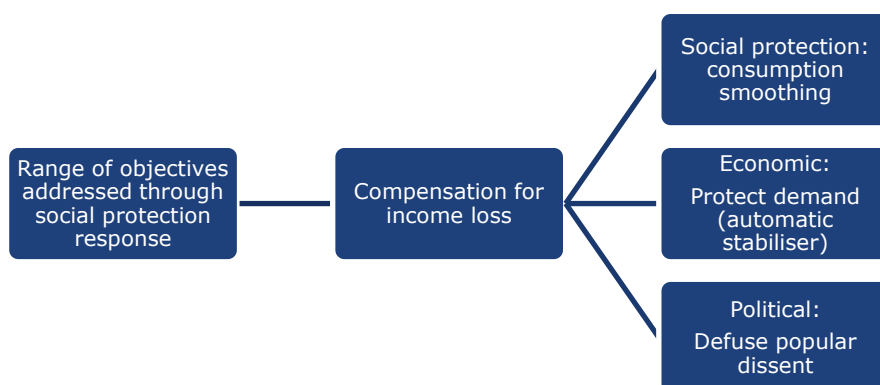


Source: Author

However, the dilemma this represents in terms of trade-offs in the allocation of resources between these three objectives, and how this dilemma might be resolved, is not addressed to any great extent in the literature, which does not attempt to problematise or explore the questions implied by this issue. This is discussed in more detail in section three.

The literature also indicates that there is a broader, sometimes implicit, set of objectives associated with the compensation for income loss provided through social protection, in addition to basic consumption smoothing, which relates to economic and political stabilisation. These additional objectives are illustrated in Figure 3.

**Figure 3: Broader objectives to be addressed through social-protection provision as shock response**



Source: Author

In most of the literature, the immediate goal of social protection in a shock context is articulated as compensating for loss of income through forms of income replacement, or as compensating for rising commodity prices (either as a direct transfer based on social assistance, or as insurance, subsidies or tax reductions) to protect access to goods and services in a context of rising unemployment, inflation and/or reduced basic service provision. While this can be done to meet a basic social protection objective, it can also be intended to protect economic demand, functioning as a form of automatic economic stabiliser, or even to defuse popular dissent.

Each broader objective could require, in any given context that support should be provided to different beneficiary groups. If social protection is intended to play a key role in protecting consumer demand, it is the 'new poor' who have lost their jobs following the contraction of formal sector employment who should be assisted in the case of financial crisis. In the context of a fuel crisis however, where consumption smoothing is the priority, those identified as particularly vulnerable to the effects of food price spikes (such as casual wage labourers for example) might be more appropriate recipients of support. Both categories will include households that have available labour and that are excluded explicitly from social assistance provision in many LICs with their highly-rationed provision protocols. If political, rather than economic stabilisation is the broader goal, then it may be that the urban poor, particularly youth, should be priority candidates for provision.

Cases can and are made for supporting each of these divergent groups, and support for one does not necessarily imply a lack of support for another. However, binding fiscal and administrative capacity constraints that are particularly acute when time and money are severely constrained do imply a high opportunity cost, with a focus on provision for the new poor that often implies reduced resources for the development of systems to respond to the chronically poor caseload.

Recognising the diversity of objectives that underlie social protection provision and that is articulated in the literature, it is possible to identify five potentially divergent ideas of what social protection means and what it should be designed to provide. These ideas reflect, in part, the dichotomy between the social risk management (SRM) approach that was once dominant in the World Bank, (see Holzmann and Jorgensen, 1999) which prioritised the risk management function of social protection, and the current social protection and labour strategy that have a greater emphasis on chronic poverty responses (World Bank, 2012b). These diverse ideas may be summarised as follows:

- a mechanism to address the needs of the poorest people who are experiencing chronic poverty
- a mechanism to compensate for increases in the depth of poverty as a result of shocks
- a temporary safety net to support those falling into poverty as the result of a shock
- a mechanism to protect demand to stimulate economic activity
- a mechanism to promote stability and quell latent social unrest while, potentially, promoting government legitimacy.

This diversity of potential functions of social protection responses in the context of shocks is not referred to explicitly in the literature, but the range of second-order objectives is articulated and influences the selection of instruments proposed for both shock-response activity and the beneficiaries who are prioritised. These different ideas, several of which may be adopted simultaneously, may result in very different policy and instrument choices.

Within these, there is a clear distinction between protecting existing provision, and providing additional forms of support to address increased vulnerability resulting from the shock, thereby avoiding harmful coping strategies and promoting recovery. This provokes a tension within the literature in terms of not only 'who is the most vulnerable?', but also, 'whose vulnerability is most important', and whether vulnerability should be measured in terms of absolute or relative deterioration (Grosh et al., 2011; Compton et al., 2011). In some instances programmes have been designed to meet the needs of groups who are objectively 'less vulnerable' but subjectively more important in terms of government or donor support, given their potential role as political 'spoilers' or agents of civil unrest, most notably urban youth (Andrews et al., 2012).

While the fact that these second-order objectives may imply different beneficiary groups is raised in the literature (Grosh et al., op cit; Compton, et al., op cit), the tension that surrounds the selection of potentially divergent beneficiary groups and its fundamental implications for programme design and resource allocation is not explored in detail or identified as a major programming challenge. Instead, there is the presentation of social protection as an instrument that can address this range of objectives simultaneously, rather than a problematisation of the challenge represented by these multiple objectives.

Before discussing these challenges in more detail, an overview of the different donor objectives and approaches in relation to the 'triple crisis' is set out in the following section.

## 2.2 The three main interventions

The broad perspectives on desirable social protection crisis responses are agreed, in general across the donor community. The ILO summarises the ideal response to the financial crisis as follows:

*'It is to be expected that the main social security response to such a crisis is to replace these disappearing labour incomes with unemployment benefits and related labour market interventions, in the hope that the crisis will be temporary. Those who have no access to such protection – and they are many [...] should be addressed by widely defined social assistance and social health protection programmes, or, if even those are not in place, by ad hoc cash transfers and other measures, such as providing for access to health services, in the hope that these can be transformed in to regular programmes in the future.'* (ILO, 2010: 105)

The implications of this are that the main interventions required are a combination of, first, social insurance, second, social assistance and, third, other labour market policies, a trinity of interventions that reflects the ILO institutional conception of social security provision, and that has come to define a shared understanding across the major agencies of the relevant set of instruments for crisis response.

## 2.3 The importance of pre-existing systems

As noted above, however, these three interventions are not available on any significant scale in most LICs and MICs. This has serious implications for response capacity, as a key lesson from previous crises is that the critical prerequisite for effective crisis response is that it must be available quickly, and that it must, therefore, be based on existing structures that can either react automatically to changing economic



conditions (as in the case of unemployment insurance) or can be adjusted with ease (e.g. extended in duration, value, or coverage) to meet crisis requirements:

*'The downturn of 2008/9 has once again served as a reminder of the importance of having schemes already in place before crisis strikes in order to be able to provide social security to the unemployed and all those affected.'* (ILO, 2010:105)

IEG has presented a similarly stark analysis of the importance of the pre-existing systems for rapid shock response;

*'interventions that involved institutional change and capacity building were unlikely to respond to immediate needs. Only where program parameters could be adjusted (temporarily or on short notice) – essentially only well-structured programs with strong information basis – might institutional changes be introduced that could contribute to crisis mitigation. [...] Institutional change, such as pension reform, drafting and passing regulations, training staff, building information systems, and altering targeting formulas and parameters, takes time to materialize in outcomes.'* (IEG, 2012: 146)

In the absence of such existing systems, capacity to respond in a significant way to the triple F crisis faced severe constraints in many LICs, and this led to the donor focus on introducing new ad hoc and often second-best interventions to meet immediate needs, based on whatever systems were available even where they did not conform to the ideal response, and strengthening and extending existing provision in order to promote on-going provision, but also to develop systems with the potential to respond to future shock scenarios.

In line with this analysis, the IEG concludes from its review of the World Bank's support to social safety nets (SSNs), that 'building capacity during stable times will help countries protect their poor and vulnerable people during shocks', (IEG, 2012:130), confirming a key tenet of the emerging shock response paradigm.

The World Bank's Rapid Social Response (RSR) Trust Fund shared this three-fold aim of supporting programming to address urgent crisis-related needs, promoting systems-building and institutional development and building shock-response capacity, being designed 'to assist countries address urgent social needs stemming from the crisis, and to build up capacity and institutions to respond better to future crises' (World Bank, 2012). Given the significance of the RSR as a multi-donor trust fund, this three-pronged set of objectives, referred to hereafter as the 'triple benefit' for the sake of brevity, and which entails both immediate response and future disaster response capacity-building, has had a strong influence on thinking around the design and content of shock-response programming and the associated literature.

The RSR aimed to achieve these objectives by building safety nets and systems, protecting access to services and sharing knowledge (World Bank, 2012a). It intended to do so by assisting in the design, development, and implementation of systems that could protect the poor against shocks by improving safety net provision. This was to be achieved through a mix of conditional and unconditional cash transfers and public works programmes to address vulnerability; building systems to support the scaling up of existing mechanisms; pilot-testing promising approaches; and strengthening technical and institutional capacities. Other projects falling under this theme provided diagnostics and helped governments to formulate, implement, and evaluate policies and programmes to protect workers during a crisis by stabilising employment and earnings. The RSR also aimed to implement projects to protect the access of the poor to basic social services, such as nutrition, health, and education, and to share lessons and create toolkits relating to diagnostic techniques and programme design or implementation practices, in order to promote cross-country and cross-sector learning.

The 'triple benefit' approach adopted by the World Bank does, however, entail some tension in terms of choices and trade-offs regarding the allocation of resources that is not highlighted or explored in any detail in the literature. Promoting the development of systems to provide social protection to address chronic poverty is a medium- to long-term objective, but the development of immediate or future crisis response capacity and associated programming may require the development of a completely different set of instruments and institutions with differing target beneficiaries. This issue is discussed in more detail in section three, which explores the key challenges inherent in shock response programming.



## 2.4 The role of formal-sector social security

Formal-sector responses are prominent in the literature, with the ILO, in particular, focusing (as would be expected given their institutional mandate) on the need to extend formal-sector social security (social insurance) provision, and associated ALMPs to compensate for income loss:

*'It is to be expected that the main social security response to such a crisis is to replace these disappearing labour incomes with unemployment benefits and related labour market interventions, in the hope that the crisis will be temporary.'* (ILO, 2011:105)

The World Bank also highlights the primacy of labour-market based responses, even in LICs:

*'In countries with high informality, although targeted transfers may absorb some new poor, there is a need for more flexible risk management programs and labor market reform.'* (IEG, 2012:130)

At the same time, however, the ILO is sanguine about the short-fall in coverage of formal sector social security in many MICs and most LICs and acknowledges, therefore, the need to also develop social assistance responses:

*'Those who have no access to such protection – and they are many, [...] should be addressed by widely defined social assistance and social health protection programmes, or, if even those are not in place, by ad hoc cash transfers and other measures, such as providing for access to health services, in the hope that these can be transformed into regular programmes in the future.'* (ILO, 2011:105)

## 2.5 Social protection as an automatic stabiliser

The ILO also highlights the role of social protection as a potential automatic stabiliser:

*'The counter-cyclical behaviour of social security expenditure is inbuilt; it is a source of its power as the automatic stabilizer of individual incomes and aggregate demand. However, funding of increased expenditure does not come automatically (beyond existing reserves of those social security systems that keep such contingency reserves): it has to come either from a reallocation of existing public spending, or from increased contributions and taxes, or from increasing the overall deficit financing of public finance.'* (ILO, 2011:105)

Both the ILO and World Bank, therefore, articulate the key role of social protection in stabilising aggregate demand. However, the major constraint represented by the insufficiency of financial resources is key; revenue from contributions or taxes earmarked to finance social protection falls while expenditure rises as a result of increases in the number of beneficiaries receiving unemployment and income support programmes. This issue is discussed in detail in the social protection shock response analyses prepared by IEG, UNICEF and the IPC (see for example IEG, 2012; Ramos and Roy, 2012; and Ortiz and Commins, 2013) which highlight the adverse implications for social-protection provision of the contractionary fiscal orientation of World Bank and IMF macro-economic policy advice. This issue is explored further in section three.

The resource constraint challenge has been exacerbated still further in many aid-dependent countries by the limiting of international development assistance by many donor countries in the wake of the crisis. The fiscal drain applies less to social insurance, which has a greater degree of automaticity than social assistance responses, and has rendered established social insurance systems the most effective instrument in the countries where provision is extensive, (primarily in Eastern Europe). However, social assistance (and social-sector spending overall) remains particularly vulnerable to pro-cyclical cuts, with potential restrictions in both benefit levels and coverage (ILO, 2010; McCord and Vandemoortele, 2009).

Certain groups of people who face chronic or seasonal poverty need social protection on an on-going basis, but the need for social protection spikes during systematic shocks, when a large share of the population is affected negatively by an event such as a natural disaster or economic crisis and when traditional coping systems break down. During times of economic contraction, when demand decreases and underemployment and unemployment rise, social protection is needed to protect those thrown further into poverty, as well as the transient poor (those newly-affected or the 'new poor'). Automatic stabilisers in industrialised countries

include social protection measures that ensure extra protection for growing numbers of poor and vulnerable people during economic decline, but in developing countries, social services – particularly social protection – are often among the first items to be cut (Ravallion, 2002). The World Bank can help to protect social protection by including social services in the crisis support it provides (IEG, 2011: 18), although the RSR has an essentially short-term and catalytic function, so has not provided significant support, in terms of finances or policies – to protect basic service provision (World Bank, 2012a). Other actors within the World Bank., concerned primarily with macro-economic stabilisation may have been pressing for reduced, rather than protected expenditure in these sectors, an issue discussed further in section three.

## 2.6 Crisis as opportunity

The donor community has responded to the triple F crisis with a degree of opportunism, using it as a mechanism to mobilise funding for, and to promote engagement with, the social protection agenda, supporting the development of social protection systems in countries where provision already existed and initiating dialogue in other countries where there been no previous relationship on these issues, as recognised by the IEG:

*‘... the crisis provided an opportunity for the Bank to start to move ahead on the long-term agenda of building social protection systems.’ (IEG, 2012:130)*

This focus on the development of systems is consistent with the new World Bank Social Protection & Labor Strategy (World Bank, 2012b), and the objectives of the newly-endorsed Social Protection Floor (SPF) initiative (ILO, 2012). The RSR trust funds were the main vehicle used by the World Bank to take advantage of the opportunity, aiming to develop new social protection activity and systems building in International Development Association (IDA) countries:

*‘The [RSR] funds led to Bank engagement in 15 new countries, 9 of them in Africa, where there was no previous lending or technical assistance on safety nets.’ (IEG, 2012: 142)*

# 3 Overview of 2007-2009 responses and key lessons

This section identifies the main types of intervention and specific instruments adopted in response to the 2007-2009 crises in LICs and MICs, and discusses the patterns of instrument usage across different country income levels. The pros and cons of each instrument are outlined in relation to differing types of crises and contexts. A list of the main interventions adopted in 47 selected countries and discussed in the literature is included in Appendix 1.

## 3.1 The main types of intervention

Within the shock-response literature, the term social protection it is generally used to refer to a more or less consistent set of interventions that attempts to compensate for income loss, price rises and reductions in access to, and the availability of, basic goods and services.

The main types of intervention outlined in the literature fall into two main categories: those preventing or reducing income loss, and those compensating for income loss. The latter are detailed in Table 1 and include:

- active labour market policies (ALMPs)
- social security provision (contributory)
- social assistance (non-contributory)

- the provision of basic social services (health and education)
- commodity subsidies
- (to a lesser degree) emergency provision in cash or kind.

The first four are consistent with the definition of social protection adopted in the ILO Social Protection Floor (ILO, 2012), while the fifth and sixth are complementary interventions.

**Table 1: Key social-protection instruments adopted as shock response**

Function	Category of intervention	Specific instruments
Prevent/reduce income loss	Active labour market policies (ALMPs)	<ul style="list-style-type: none"> <li>• Employment/wage subsidies</li> <li>• Revision of working hours</li> <li>• Increase in minimum wage</li> <li>• Training</li> </ul>
Compensate for income loss/inflation	Social security for those in formal sector employment (contributory)	<ul style="list-style-type: none"> <li>• Unemployment insurance</li> <li>• Sickness and disability benefits</li> <li>• Contributory pensions</li> <li>• Health insurance</li> </ul> <p>(Restricted to those in the formal sector)</p>
	Social assistance (non-contributory)	<ul style="list-style-type: none"> <li>• Cash transfers for specific groups, such as the elderly, children, those with disabilities, etc. Usually poverty-targeted and often exclude households with working-age labour</li> <li>• Public works Programmes/Public Employment Programmes</li> </ul>
	Basic service provision	<ul style="list-style-type: none"> <li>• Health fee waivers or subsidies</li> <li>• Education fee waivers or subsidies</li> </ul>
	Commodity subsidies	<ul style="list-style-type: none"> <li>• Basic food subsidies</li> <li>• School feeding</li> <li>• Fuel subsidies</li> <li>• Input subsidies</li> </ul> <p>(May be universal or targeted)</p>
	Emergency provision	<ul style="list-style-type: none"> <li>• Food and cash transfer programmes</li> <li>• Emergency Cash or Food for Work (CFW or FFW) programmes</li> <li>• In-kind transfers (household items, tents, etc.)</li> </ul>

The main interventions adopted within the range of social assistance responses were; cash transfers, both unconditional and conditional (UCT and CCT), in-kind transfers or subsidies and Public Works Programmes (PWP). PWP are sometimes included under the category of ALMP, but can also be considered a form of conditional social assistance (Samson et al., 2006). Neither categorisation is ideal as PWPs are a somewhat hybrid interventions with characteristics of both. For the sake of clarity, however, PWPs are included under social assistance in this review.

Many of these interventions had been established prior to the triple F crisis, thereby providing ready-made response options for policy-makers, while others were developed specifically in response to the challenges of the crisis. Where there were pre-existing systems of social security linked to formal sector employment, these were the main instruments adopted for shock response, functioning to protect consumption and

preserve access to goods and services. The pre-existence of such programmes is key to their success in crisis response, particularly in the case of interventions such as employment insurance, which requires contributions over a number of years to build up into a functioning system for beneficiaries, and so cannot be developed and implemented immediately at the point of need. This was a key lesson from the Asian financial crisis (see Kang, 2001 on the Korean experience, where the Employment Insurance System established after the 2005 crisis was fully functional by the time of the triple F crisis). Once established, such programmes can offer an automatic response: more workers become eligible as formal sector unemployment worsens, so the programmes provide a counter-cyclical response by design.

## 3.2 Shock response by income status

The ILO identified distinct responses that differed across high-income, low-income and middle-income countries (ILO, 2010).

### High-income countries

In high-income countries (HICs), the most frequent response was a modification of existing social security provision, primarily unemployment insurance schemes. These included the expansion of eligibility and coverage, and the use of partial unemployment benefits to enable reduced working hours, ('reduced working hour compensation'), and a range of other ALMPs to improve both job retention (e.g. through wage subsidies) and employability (e.g. through retention initiatives).

### Middle-income countries

Richer MICs also focused on labour market measures to, first, protect existing jobs, and second, to stimulate employment. This was particularly the case in the European and Central Asia region, where existing social security provision and ALMPs are relatively well developed – the result of the influence of socialist employment policies, as well as in some countries in Latin America and the Caribbean (LAC) region and the richest countries of East Africa and the Pacific (EAP), all of which built on pre-existing systems of provision. However, existing unemployment schemes were inaccessible to many of those whose labour incomes were affected by the crisis in much of Asia and Latin America where self-employment and informal employment are relatively high, and where social insurance cover within the formal sector is limited. This made it necessary to bring in additional interventions in the form of income support, with one example being an extension of coverage of the *Bolsa Família* cash-transfer programme in Brazil (ILO, 2010; Soares, 2009).

There was also significant investment in the expansion of existing Public Works Programmes (PWPs) and the development of new ones<sup>1</sup> in MICs. In India, for example, an urban counterpart to the rural Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was initiated, and in South Africa, the Expanded Public Works Programme (EPWP) was extended. In the Philippines an alternative kind of Public Employment Programme (PEP) was developed – the Comprehensive Livelihood and Emergency Employment Programme (CLEEP) – under which government departments were required to mobilise 1.5% of their operating budgets for emergency job creation. The ILO argues that because such schemes can be rolled out on an ad hoc basis, they can be implemented and then withdrawn more quickly than social security schemes (ILO, 2010; Soares, 2009), although other evidence from the crisis response indicates that many newly-developed programmes experienced considerable delays in implementation because of their complex technical and administrative requirements (see for example Andrews, 2012). This issue is discussed in more detail below.

### Low-income countries

Most LICs faced a more limited menu of response options as a result of what the ILO describes as a 'triple constraint', namely:

- declines in global demand, remittances, foreign direct investment (FDI) and trade;
- limited access to foreign capital; and
- their narrow scope for response, with social security coverage being limited to the minority of the workforce in formal employment, and the fragmentation and low coverage of social assistance provision.

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<sup>1</sup> PWPs are also referred to as Public Employment Programmes (PEPs) in the literature.

As discussed above, the under-developed nature of existing social protection provision provides a poor foundation on which to build a shock response. In such contexts, therefore, there was only limited scope for extending social protection as a 'shock responses'. In most LICs, only a small minority of the population are in formal employment and, therefore, covered by social security systems linked to that employment. In addition, the size and reach of most existing social assistance provision was limited, with countries struggling to address the pre-existing caseload of chronic poverty, and rationing access very strictly:

*'many of these countries [LIC], particularly in sub-Saharan Africa, have already been facing mass poverty and under-employment well before the recent global economic crisis. It can be said that they face a permanent crisis of lack of income opportunities and subsequent poverty. (ILO, 2011:111)*

Some LICs, such as Bangladesh and Viet Nam, had established unemployment benefit schemes before the crisis, but these were the exceptions: in most LICs the provision in these schemes was not comprehensive. At the same time, social assistance provision was also very limited (ILO, 2010), with many LICs implementing small-scale, often donor-funded pilot programmes that provided various forms of social assistance that were too small (in terms of the numbers of beneficiaries and the extent of geographical coverage) to provide a significant shock response (ILO, 2011:111).

### 3.3 Social security provision

Formal-sector social insurance response relied primarily on existing administrative instruments that, in many cases, responded automatically in terms of the provision of unemployment insurance, given their insurance-based design, or that were expanded and adjusted to accommodate crisis-induced requirements. The main instruments adopted were unemployment insurance, extended pension provision, and temporary income support.

There is wide acceptance in the literature that social security provision has a key role to play in shock response:

*'In countries with a more comprehensive social security system it was possible to bolster the benefit level of existing schemes, either through automatic mechanisms, policy-induced changes, or both. In other cases, new benefits were added, softening the impact of the crisis.'* (ISSA, 2012:28)

China's extension of social insurance schemes between 2008 and 2010 is illustrated in Table 2. This provides an illustration of how such programmes can be extended in response to a shock, with the number of people covered by the contributory old-age pension increasing by 38 million (20%) and those covered by basic medical insurance rising by 115 million (25%). This was complemented by reduced contribution rates and deferred contribution payments.

Table 2: Extension of social insurance in China, 2008 – 2010

	Numbers covered 2010	Numbers covered 2008	Increase
Urban basic old-age insurance	257 million	219 million	38 million
Basic medical insurance	433 million	318 million	115 million
Unemployment insurance	134 million	124 million	10 million
Work injury insurance	162 million	138 million	24 million
Maternity insurance	123 million	93 million	30 million
Rural pension	103 million	56 million	47 million
Rural medical insurance	836 million	815 million	21 million

Source: ISSA (2010a); ISSA 2010 cited in ISSA 2012

### Unemployment insurance (UI)

Unemployment insurance (UI) is arguably the most important social security intervention when it comes to responding to a financial crisis that increases unemployment, providing automatic cover for those who lose their jobs and incomes. UI is contributory intervention and operates almost exclusively in the formal economy to provide income replacement, after a qualifying period and only for a limited time. Coverage is restricted to formal economy workers and reaches only a limited number of these, with informal and self-employed workers excluded. The literature suggests that, ideally, UI is combined with active labour-market instruments to increase employability, such as training, so that workers' skills are developed to match structural changes in the nature of labour demand. In countries such as Korea, higher UI benefits are provided if workers participate in re-training programmes.

UI is common throughout Western and Eastern Europe, the Commonwealth of Independent States and Central America, and provision has been extended as a shock response, with increased benefit periods and reduced contributions (with one example being China).

However, even in Europe and Central Asia where UI is common, 'eligibility was tight, coverage low, and benefit periods short' (IEG, 2012:136), with only one-third of those employed in the formal sector being covered. As a result it has low coverage in many MICs and negligible coverage in most LICs, where the formal sector is limited. The ILO concedes these major coverage challenges:

*'unemployment insurance schemes are in place in only 64 of the 184 countries for which information is available. [...]. Even where such programmes exist their effective outreach is often very limited. Hence what we see on the global scale is a massive gap in coverage for the unemployed and underemployed working-age population who are in need of income support.'* (ILO, World Social Security Report 2010/11:106)

and,

*'In 106 of the countries studied (58 per cent), even workers in the formal economy have no coverage in case of unemployment.'* (ILO, World Social Security Report 2010/11:59)

Table 3 illustrates the very limited extent of legal and effective coverage of UI, by income level, among the countries where statutory UI existed.



Table 3: Social protection against unemployment in 78 countries

	Low income	Lower-middle income	Upper-middle income	High income	TOTAL
<b>Legal coverage</b>					
Existence of a statutory programme, number of countries (% of countries in parentheses)	5 (8%)	17 (35%)	20 (54%)	36 (80%)	78 (42%)
Contributory and non-contributory schemes: % of the economically-active population (EAP)	2.9	18.1	38.4	69.2	30.6
Mandatory contributory schemes (% of EAP)	2.9	15.4	30.3	58.9	25.7
<b>Effective coverage of unemployed (% of all unemployed)</b>					
Total receiving benefits	1.3	3.6	10.4	38.8	12.9
Receiving benefits from contributory schemes	1.3	3.6	9.8	31.3	10.9
Receiving benefits from non-contributory schemes	0.0	0.0	0.6	7.6	2.0
Not receiving unemployment benefit	98.7	96.3	89.1	60.9	86.9

Source: ILO, 2010:60

Even in higher-middle income countries (HMICs), less than 10% of the unemployed receive benefits from contributory schemes (social insurance), only 0.6% qualify for non-contributory benefits (social grants). Nobody in LICs or lower-middle income countries (LMICs) receives non-contributory unemployment benefits, and only 0.6% of the unemployed in HMICs do so.

As mentioned earlier, UI only protects against job loss, rather than the reduction in earnings that characterise the changes experienced in many contexts where reduced formal-sector working hours or reduced remuneration were adopted as strategies to protect employment rather than lay-offs. In such contexts, UI is not designed to protect against reduced earning and will not provide support that would sustain income levels in response to, for example, elevated food prices.

The relevance of UI as a crisis response is conditional on the degree of informality in the labour market, and the extent to which affected populations are facing unemployment, as opposed to a reduction in working hours, or reduced remuneration. Where there is a significant informal sector alternative, non-contributory approaches are likely to be more relevant to address income or employment loss.

In terms of the potential to establish such schemes in LICs as a future crisis response, Vodopivec suggests that the conditions for successful implementation are unlikely to be met:

*'Undoubtedly, [the introduction of UI] poses major challenges: the performance of UI depends not only on the design of the program, but also critically on country-specific circumstances. The successful performance of UI in OECD countries is based on a developed labor market, strong administrative capacity, an informal sector of modest size, a low incidence of underemployment, and low political risk – conditions that are typically lacking in developing countries. The decision whether to introduce UI in developing countries therefore needs to be carefully examined and the design of UI program adapted' (Vodopivec, 2013)*

### Pensions and other contributory benefits

As with employment insurance, the extension of eligibility criteria for receipt of formal sector contributory pensions by, for example, reducing the age of pension eligibility or the minimum number of years of contribution required before receipt of pensions, offers a mechanism to support those affected by the crisis, as do other formal sector work-related payments. Two main approaches have been adopted in relation to

these instruments. First, increases in the value of the payments and, second, changes in eligibility criteria, such as extending the period of support, reducing the contribution period and reducing the age at which benefits can be drawn to increase the flow of resources to those previously employed in the formal sector in compensation for income loss caused by inflation (as has happened in China and Uruguay).

### 3.4 Active labour-market policies (ALMPs)

A range of active labour-market policies (ALMPs) have been adopted to protect jobs and promote employment in the formal sector in an attempt to cushion the impact of the crisis on those working within this sector. Potential measures include wage subsidies, employment training, apprenticeships, subsidised education and qualifications, and specialised social-assistance cash transfers (ILO, 2012). The main ALMP instruments adopted in response to the crisis are described in Box 1.

#### Box 1: Active labour-market policy (ALMP) instruments

##### Employment subsidies

Many governments subsidised employers maintain employment levels, stimulating aggregate demand by keeping workers in employment and ensuring against a loss of skills and demoralisation, and adjusting to new labour market conditions

##### Tax measures

Relaxing income taxes to soften the impact of the crisis by boosting and smoothing individual and household income, and helping to stabilise aggregate demand.

##### Subsidised redistribution of working hours

Reduced working-hours programmes, in which fewer hours were shared among employees, served to retain workers while maintaining consumer spending and social cohesion, as well as workers' skills and motivation.

##### Reduction in contributions

Governments tried to reduce the burden on companies squeezed by the recession by supporting employers' social security contributions through a range of measures. This ensured continued social security contributions for employees and more fiscal latitude for companies.

##### Training and employment services

Employment services and skills training and upgrading to address frictional or structural barriers to minimise employment effects during periods of crisis, and to facilitate the re-employment of those who had lost work as a result of the shocks.

Source: Adapted from Grosh et al, 2011; IEG, 2011:145.

In the wake of the crisis, the introduction of wage or employment subsidies was used commonly in a number of MICs (including Argentina, Bulgaria, Chile and Poland) to reduce the cost of employment to reduce lay-offs and potentially encourage new hires, or at least counter a tendency to suspend them (ILO, 2012). One example of this was the Korean Government's decision to increase its 'employment retention subsidy' to promote job-sharing in the private sector and maintain unemployment. Reducing taxation was another option aimed directly at workers, with a lower tax rate introduced in South Africa for low- and middle-income earners.

Programmes that provided skills training and employment services and that catered, primarily, for the hardest-hit workers (the young, the low-income, and the unskilled), were launched rapidly in response to the crisis in a number of countries, sometimes with World Bank assistance. However, the efficacy of this approach is limited by the extent of labour-market demand. The outcomes of such interventions, even outside shock contexts, are uncertain, and evidence of their effectiveness for short-term results is inconclusive (see, for example, Betcherman et al., 2004). Reflecting this critique the IEG concludes that:

*'while [such programmes] may have an important political economy function, evidence of their effectiveness to produce short-term results is inconclusive, and their longer-term outcomes tend to be quite situation-specific'. (IEG, 2012:145)*



## Discussion of social security and ALMP response

Unemployment insurance, contributory pension provision and skills training are only feasible and likely to be of significant impact in terms of the numbers covered. They also require two demand stimulus effects: countries have a significant proportion of the workforce employed in the formal sector and well-developed social-security systems are in place and provide broad coverage to eligible workers. As we have seen, even in many countries with a significant formal sector, employment insurance coverage remains limited.

Such programmes are not likely to offer significant or cost-effective benefits where there are high levels of informal employment and where the social security sector is poorly developed or skewed to support elite groups, as is the case in many (if not most) LICs.

In countries where such instruments are in place, and where the shock is transmitted through the formal labour market, they can support affected workers through the provision of benefits, which are an entitlement created by the payment of a premium. In many countries, however, they merely reinforce existing inequalities, providing benefits to better-off workers in the formal sector.

Social security provision may not, therefore, be particularly relevant to most LICs with high levels of informality and negligible coverage within the small formal sector. This contrasts sharply with the level of attention paid to social security in much of the literature, which does not clearly articulate the limited relevance of the intervention outside HMICs and MICs. The literature tends to distort the map of potential interventions in LICs and may also skew the resource-allocation debate.

As ISSA concedes,

*'the crisis has compelled many countries to scale back their stimulus packages and to cut their social security spending.'* (ISSA, 2012:25).

Therefore, rather than expanding social-security spending in the wake of a crisis, many countries have chosen to reduce spending as part of austerity measures to meet the perceived need for fiscal consolidation. The UN recommends that social security rights are legally embedded to ensure their constitutional guarantee – a means to ensure respect for the principle of 'non-retrogression' (UN, 2011, cited in Grosh et al., 2011), but in the absence of such constitutional protection, there is a risk that fiscal contraction may threaten social security provision post crisis.

ISSA notes that prior to the crisis, many MICs and LICs were extending the provision of their social security systems but recognises that further extension is a challenge, with the financial crisis affecting social-security schemes through reduced fund reserves and income flows and increased demand for, and expenditure on, benefits (ISSA, 2012). ISSA concedes that:

*'Ideally, continued social security extension and augmentation would be the optimal outcome of the crisis. In practice, however, policy priorities are often defined based on what is feasible in the shorter term, rather than what is desirable in the shorter term. Thus, some might argue that the prospects for further extensions in coverage or benefit enhancements are somewhat dim.'* (ISSA, 2012:26).

## 3.5 Social assistance

A range of social assistance interventions have been adopted as shock-response instruments to support those not covered by formal-sector provision. This includes workers in the informal sector, the majority of labour in most LICs and many MICs, those working in the formal sector, who are not covered by the social security initiatives outlined above, and those who are not participating in either the formal or informal labour market.

Grosh et al. argue that social assistance provision can:

- forestall, to a degree, the increases in poverty and inequality that increased food prices can imply
- help households maintain access to food and essential services for health and education

- when perceived as fair and compensatory, social protection programmes may help governments avoid 'quick fix' but less efficient tax, subsidy, trade or production policies, some of which can even aggravate the problem (Grosh et al., 2011:4).

The main social assistance interventions reported in the literature are: social assistance (primarily in the form of cash transfers); public works programmes (PWP); and subsidies. These are now discussed in turn.

### Cash transfers

Cash transfers are a form of social assistance that provides income directly to households without requiring any prior contribution from them. These programmes can function to replace lost income at household level, and to enable consumption-smoothing in an inflationary environment. They also have the potential to serve an economic stabilisation function if provision can be extended quickly enough, protecting household consumption and thereby protecting market demand. Cash transfers in LICs are, in general, targeted towards particular categories of people, such as the elderly, children, those with disabilities, war veterans and others, and are often rationed on the basis of poverty criteria.

The main operational options for cash transfer programming following the crisis were the extension of coverage and the introduction of new grants to support specific vulnerable groups who were impacted disproportionately, or who were identified as priority candidates for support for a range of reasons, including absolute poverty, relative change in poverty, or economic or social stabilisation concerns. The ILO suggests that the extension of social security to cover sections of the population that were previously uncovered is an important long-term goal, given that only 20% of the world's population is already covered adequately by social security, (ILO, 2011) and that during the crisis some governments extended coverage temporarily or made permanent gestures to extend social security as part of a longer-term vision, while other programmes were essentially ad hoc. In Argentina a new consolidated cash-transfer scheme was introduced for low-income families with children and child benefits were extended to unregistered workers earning less than the minimum wage, the unemployed, domestic workers and the self-employed with very low incomes (ILO, 2012). In Brazil, the coverage and value of the *Bolsa Família* cash transfer scheme was extended, as shown in Box 2.

#### Box 2: Extended Bolsa Família cash-transfer benefits in Brazil

Brazil experienced a sharp, but relatively short-lived recession. As part of an overall national stimulus package, the Brazilian government increased the value of cash benefits paid by 10% under the country's conditional cash transfer, the *Bolsa Família*, a high profile programme reaching around 44 million low-income people. The programme received 1.5% from the Brazilian stimulus package. The explicit aim of the increase was to enable poor households to better cope with the additional hardship engendered by the crisis.

Moreover, the eligibility criteria for the programme were relaxed. Eligibility for benefits was increased from a monthly income of US\$ 71 to US\$ 82. This resulted in the programme covering an additional 1.8 million families so that today 12.8 million families are now covered.

According to a study by the International Policy Centre for Inclusive Growth (Soares, 2009), the transfer softened the impact of crisis in a number of ways, demonstrating how social security can fulfil its role as an economic and social buffer at times of crisis. These effects include:

- Generating reliable income flows, sustained household consumption levels and avoiding a decline in overall economic activity
- Reducing negative impacts of the crisis on the nutritional intake of children
- Maintaining school attendance and keeping children out of the workforce, and
- Potentially reducing the risks of increased levels of informal employment.

The existence of this important programme in Brazil prior to the crisis, and its subsequent expansion during the crisis, might help explain why Brazil is thought to have coped particularly well with the crisis. Clearly, having the institutional framework and capacity to ratchet up coverage and adequacy facilitates effective crisis responses when and where required.

Source: Soares (2009), cited in ISSA (2012)

Cash transfers that are targeted to particular categories do not necessarily overlap well with poverty or with needs (Slater and Farrington, 2009) and may not, therefore, be an effective way to reach either the

chronically poor, or those affected by financial or commodity price crises. However, if systems are in place to deliver support to such groups, then resources can be injected into a community, if not necessarily its poorest members, by expanding eligibility or increasing the value of the transfer.

Unconditional cash transfers have been proposed as the most appropriate form of cash transfers for use in a crisis, because they are;

- easier to expand and contract than conditional cash transfers (CCT)
- relatively simpler to administer than other instruments, and
- more politically acceptable, as part of a general recognition of the need to protect the affected population. (IEG, 2012)

However, cash transfer programmes can also have disadvantages in crisis contexts, particularly in relation to targeting. In LICs, cash transfers do not typically include the working-age poor, but do include vulnerable individuals based on specific demographic criteria. They therefore exclude poor households *without* members of the specified groups. In MICs, however, there is less of a tradition of excluding households from cash-transfer eligibility on the basis of their labour availability. In addition, cash transfer provision is highly rationed, and is available to only a fraction of the poorest. Provision criteria frequently deliberately exclude households with able-bodied members and/or low dependency ratios, which are often adopted as proxy for poverty) regardless of actual household poverty. Many cash transfers in LIC are also patchy in geographic terms (reflecting diverse domestic and development partner institutional and political preferences and historic allocation decisions) resulting in provision that is often inequitable in terms of need or geographical distribution.

Therefore, such interventions are not well placed to provide household-level compensation for income loss as a result of a financial shock as they often exclude the working poor, whether they work in the formal or informal sectors.

Cash transfers can, however, perform better in the face of a food-price crisis, compensating for price rises and lack of access to goods and services among existing beneficiaries if the transfers are revised on a regular basis and linked to inflation, and if the delivery of changing values of transfers can be carried out rapidly to protect purchasing power. If this is not possible, then vouchers or in-kind distribution may be most effective in retaining the real value of the transfer over time.

To have a more significant impact in terms of poverty mitigation and demand stimulus, existing programmes would need to be scaled up significantly in both coverage and value, increasing the percentage of the poor who are covered, or eligibility criteria would need to be revised upwards. The feasibility of such an expansion would be determined by two main factors: the ability to target programmes adequately, which depends on the availability of data on those in need; mechanisms to expand delivery; and the availability of additional resources.

### **Conditional cash transfers**

Conditional cash transfers (CCTs) are often similarly targeted to households without available labour in LICs. In crisis contexts, where there is a simultaneous need to extend coverage, keep costs down, and include those who might be excluded if adherence to conditions were mandatory, some programmes have removed conditionalities, which were, for the reasons outlined above, perceived as a hindrance to programme expansion. This concern is linked to the difficulties of monitoring and ensuring compliance with conditionalities in many LICs even at times of relative economic stability, and the significant administrative and economic cost such compliance monitoring requires. Maintaining conditionality can both reduce the number of those eligible for support and limit provision where resources are constrained.

## **Challenges to the use of cash transfers for crisis response**

### **Flexibility**

Around 65% of social protection programmes supported by the World Bank in response to the crisis were social safety nets, as the Bank supported the scaling up of a number of large CCTs in LAC and Eastern Europe. The aim was to support the chronically poor, whose poverty deepened as a result of the crisis, and to absorb informal workers who fell into temporary poverty as a result of the crisis (IEG, 2012). However, the IEG suggests that such cash transfers are not, in general, flexible enough to quickly protect near-poor crisis-affected individuals who may not be eligible for poverty-targeted benefits. IEG also cautioned that using social assistance as the only instrument for crisis response may raise fiscal sustainability issues, as transfer

programmes do not automatically scale down in stable times, and may be hard to dismantle after the crisis has passed. One example of such a challenge related to the value of the *Oportunidades* cash transfer in Mexico, which was increased by 5-10% in the wake of the crisis and was not subsequently retracted, although it had been intended as a temporary increase. A similar story is found in the case of increases in pension benefits in Romania (IEG, 2012:143).

### Data requirements

Another major challenge relating to the use of cash transfers for crisis response is the need for adequate data. Some cash-transfer programmes benefit from the existence of a central registry that contains information on actual and potential beneficiaries, with basic data on various monetary and proxy indicators of their poverty. The role of registries in facilitating programme development and scale up is discussed by Soares in relation to programmes in Chile and Brazil:

*'In relatively successful cases, such as Chile Solidario and Bolsa Família, policy integration has been facilitated by the presence of registries of potential beneficiaries for CCTs and other social programmes. Such databases enable the authorities to build an array of indicators on families' socioeconomic conditions. This makes them powerful tools in mapping the different needs of various communities, and they could be used to guide other policies [...].*

*Registries enhance monitoring of the poorest families' access to social services and infrastructure in a more calibrated way than household surveys. The latter, though they are nationally representative, are often based on small samples that do not facilitate sound analysis for local-level interventions. This knowledge base allows rapid crisis response when programmes may need to expand in order to cover a larger proportion of those that fall into poverty.'* (Soares, 2009)

Where available, such information can be used to identify the 'near' poor, who were previously just above the threshold for programme receipt. Elsewhere, only a fraction of those identified as eligible for programme receipt have been included in the programme as a result of rationing – a common scenario in LICs. In both cases, programme expansion can be carried out with a reasonable expectation of reaching the poorest by extending provision through the use of existing information. Typically however, information on non-beneficiaries tends to be scarce in LICs (indeed, information on beneficiaries is also severely limited). In Kenya, an important innovation was the registration of a wider population under the Hunger Safety Nets Programme (HSNP) cash transfer initiative than those eligible under existing criteria, with data gathered deliberately on additional households to facilitate the extension of the HSNP to additional populations in the event of a shock.

Where formal information is scarce, community-based targeting is an alternative option used to identify the most vulnerable. This was the case in Zimbabwe during the cash and voucher response to the hyper-inflation of the mid 2000s, where DFID simply trusted existing partners to identify those in greatest need, in the absence of formal data on relative vulnerability (McCord and Zvogbo, 2012). Systems based on physical cash transfer can easily be adapted to increase the value of transfers, while those based on loading cash on to cards, for example, may require technical expertise to re-programme the cards that may or may not be readily available.

In order to expand programmes to accommodate those affected by income loss would require, in most cases, a change in eligibility criteria and administration, as well as additional registration and targeting processes.

### Public works programmes

Public works programmes (PWPs) provide access to earning opportunities and can soften the impact of the crisis by smoothing income flows, stimulating consumer spending, maintaining social cohesion and contributing to infrastructure development (Grosh et al., 2011).

The World Bank helped to scale up or launch labour intensive PWPs 'to address urgent crisis needs for both formal and informal sector workers' in a range of MICs and LICs (IEG, 2012:144). In MICs this was, in some instances, part of a package with extended UI. South Africa extended its national programme, the Expanded Public Works Programme, (EPWP) while Argentina, Latvia and the Philippines introduced relatively large-scale temporary programmes in the wake of the crisis with World Bank support: the Plan of Public Works for all the Argentineans and the Comprehensive Livelihood and Emergency Employment Programme (CLEEP)

in the Philippines (ILO 2012:31). The World Bank used the crisis as an opportunity to launch a number of pilot PWP in LICs (IEG, 2012:146), resulting in the development of short-term PWPs in Liberia, Mozambique, Sierra Leone and Zimbabwe (World Bank, 2012a).

PWPs are implemented extensively where alternative forms of social protection are limited for those of working age, particularly where UI has little reach and social assistance is not available on any significant scale. PWP employment can function to address both labour market and inflationary challenges; compensating for income loss and providing additional income to compensate for rising prices of goods and services, and providing support to households with available labour in the context of both financial and commodity price shocks. PWPs are often selected in preference to cash transfers because there is a belief that they are easier to target in information-poor contexts, on the basis of 'self-targeting' as a result of a low wage and the work requirement, and hence easier to implement and target to those most in need of CT. There is also reluctance among many donors and governments to provide welfare to the poor of working age without requiring them to work in return (McCord, 2012).

PWPs were one of the most prevalent responses to the triple F crisis in sub-Saharan Africa (Wodon and Zaman, 2010), and were initiated and expanded under both the GFCRP (Global Food Crisis Response Program) and also the RSR with donor funding. However several sources sound a note of caution regarding the use of PWPs as shock response instruments. The ILO, for example, argues that:

*'... past experience advises caution on public works schemes. Such schemes are often praised for their 'self targeting' as the low remuneration they provide attracts only those in dire need. With respect to targeting, they may therefore be easier to implement in contexts where social security infrastructure and expertise are limited. Their ad hoc character, however, often prevents them from delivering sustainable and reliable support to those in need in the form of adequate income, and they also often indirectly exclude the more vulnerable (such as women).'* (ILO, 2010: 111)

There are also challenges related to the speed of possible PWP implementation. The El Salvador *Programa de Apoyo Temporal al Ingreso* (PATI) PWP, which was part of a World Bank financed anti-crisis plan, only became operational in 2011 as a result of domestic political, procedural and procurement delays – well after the peak of the crisis and only after economic growth had already resumed (IEG, 2012:145). Similarly, in relation to the Sierra Leone Cash for Work (CFW) programme, Andrews et al., 2012, argue that the effectiveness of PWPs as shock response options can be affected adversely by significant exclusion errors. These can result from the over-subscription in programmes that are supply-, rather than demand-driven, the low wage rate often adopted to promote 'self-targeting' and thereby streamline implementation, and targeting challenges, particularly where programmes have more than one objective, with potential tensions between the aim of targeting the poor and food insecure and that of providing youth employment to promote stabilisation.

There is a tension between the social protection objective of the interventions, and the stabilisation objectives, with the recruitment of youth participants being relevant for the latter, but not necessarily an appropriate choice for the promotion of household consumption among the poorest. Some crisis response PWPs were designed explicitly to promote youth inclusion in a crisis context, and to defuse potential tension and destabilisation arising from an increase in the number of youth not in employment, education or training (NEETs) (for a discussion of NEETs see Freije, 2012). The Sierra Leonean Youth Employment and Empowerment Programme (YEPP), for example (Weeks, 2011), was designed explicitly to address stability rather than social protection objectives.

Although the ILO highlighted the desirability of PWPs because they can be implemented rapidly, the World Bank financed Cash for Work Temporary Employment Program (CfWTEP) in Liberia, implemented as a response to the 2007-2008 food crisis did not reach all of its intended beneficiaries with the planned provision of 40 days of employment until mid-2010 (Andrews et al., 2011). The time taken to develop and implement such programmes can result in significant delays in providing employment, which can undermine their intended shock-response function. Likewise, the small scale and temporary financing of much RSR-supported PWP crisis-response activity in LICs means that the pilots that are implemented are unlikely to enhance a government's capacity to respond to future shocks as intended (World Bank, 2012a) and the aspirations of such programmes may have exceeded their actual performance.

PWPs can have a potential stabilisation function if, as market-based employment contracts, the provision of state-sponsored employment is increased commensurately. This would, however, require large-scale



provision with employment available to a substantial proportion of those seeking it. Several large-scale programmes have been expanded during the post-crisis period, such as the EPWP in South Africa and the development of the urban version of the MGNREGS in India, although the extent to which either extension was related to the effects of the triple F crisis is unclear. However, such established programmes aside, most PWPs initiated in response to the crisis with support from development partners are too small in scale in both immediate operation and in potential expansion to provide an effective shock response, given the binding administrative technical and fiscal implications of large-scale provision (McCord, 2012).

Some programmes aimed at specific urban populations that experienced formal-sector job losses to provide short-term income compensation, such as World Bank-supported programmes in Morocco (McCord, 2010) or temporary employment for ex-combatants may have been more effective than programmes to promote consumption-smoothing among the poor more generally. It is also noteworthy that PWPs are among the few instruments designed deliberately to provide shock-responsive support on a temporary basis for informal sector workers, in acknowledgement of their exclusion from other forms of existing provision.

It is interesting that the triple F crisis exacerbated pre-existing tensions around the absence of adequate employment to absorb the growing NEETS crisis in LICs and MICs (World Bank, 2012c: 208-9). Where social protection shock responses have attempted to address the basic goods and services needs of various groups, the stabilisation objective has often been as important as meeting basic consumption needs, given the critical importance of promoting social stability, and has influenced the design and targeting of some nominally social protection programming.

While PWPs have the potential to compensate (partially) for income loss among the new poor or those impoverished by reductions in formal or informal employment, they tend, by definition, to exclude the labour-constrained households that are often the poorest and that may be particularly affected by the rising costs of food and basic services. In addition, the cost of transferring resources through a PWP has been found to be far higher than through cash transfers (White and McCord, 2006) because of the administrative and capital budgets they require. In the absence of evidence on positive externalities arising from PWP implementation (resulting from skills development and asset creation) they may not be the most cost-effective instrument for delivering resources to either the poor of working age or those who are labour constrained (see also McCord, 2012).

PWPs tend to be experimental and small scale in much of sub-Saharan Africa (SSA) compared with South Asia, where several large scale, national programmes are in operation. In response to the crisis, several existing programmes, including the EPWP in South Africa, were extended and the GDCFR and RSR financed a number of additional pilots around the region.

However, the pilot nature of the new programmes and the significant administrative requirements of establishing PWP-based social protection meant that the new donor-supported programmes were only implemented at small scale, and so had a limited impact in terms of the required shock-responsive consumption-smoothing function. The crisis impact was further limited by slow programme implementation, with PWPs involving significant time and start-up costs in terms of design, planning and so on. The limited periods of employment provided are a major weakness. To date, the programmes have been relatively ineffective as crisis response interventions, if judged in terms of their likely social protection impacts, given their limited effectiveness at reaching the poorest.

### Box 3: Public works programmes supported by Rapid Social Response

In sub-Saharan Africa, GDCFR supported a Cash for Work (CFW) temporary employment project in Liberia, developed jointly by the World Bank and the government. The project was a pilot that employed members of 17,000 households out of 400,000 absolute poor households (4%), providing 40 days of support for each participant. The full work provision was completed only by mid-2010, some 18 months after the project was initiated and almost two years after the crisis struck. A similar programme developed and implemented in Sierra Leone did not provide employment to its target of 16,000 households until 2010. Clearly, the shock-response capacity of new PWPs is limited by the time taken to develop and roll out such programmes. This timescale risks compromising both social protection and social stabilization objectives and, therefore, undermining the rationale for programme implementation.

Source: Andrews et al., 2011

The literature argues that PWPs can be implemented more quickly and discontinued more easily once the crisis period has passed when compared to grant-based income provision, which can be harder to scale down or suspend politically. However, the available evidence suggests that newly-initiated PWPs are unlikely

to function as effective crises response interventions. Similarly, while it is assumed that PWPs are self-targeting (by virtue of the work requirement and low wage) and therefore easier to implement than other instruments that require targeting where social security infrastructure and expertise are limited, (see for example Subbarao et al, 2012) PWPs often exclude the most vulnerable (ILO, 2010). The concern about the need for established large-scale systems to be in place prior to the crisis to enable effective crisis response is as true for PWPs as for cash transfers and social security programming, although this is not widely noted in the literature.

### Employment through Community Driven Development and Infrastructure Development

The World Bank also used the Infrastructure Recovery and Assets (INFRA) platform to bridge infrastructure financing, project preparation, and capacity gaps resulting from the global financial crisis, entailing the creation of significant wage employment (World Bank, 2010). Such programmes are developed and administered separately from social protection interventions and hence conventional social protection oriented public works programming, but where social protection institutions are weak or absent, Community Driven Development (CDD) institutions may be able to play a role in short-term employment creation in the wake of crises. One example of such a programme is the Indonesian Kecamatan Development Programme (KDP), which was introduced in 1998 as a response to the Asian financial crisis, in a context of weak institutions and limited options for the absorption of World Bank financing. The programme employed nearly five million villagers in its first year and has subsequently become a national programme. The KDP illustrates the possibility of using alternative institutional structures and financing resources, in this case the INFRA trust fund, to support employment creation as an immediate crisis response.

### Subsidies

Food and fuel subsidies have been adopted in many LICs and some MICs to address the challenge of food and fuel price inflation, as well as input subsidies such as fertilizer or agricultural inputs in some cases to stimulate production, although the latter is more a driver of supply rather than an intervention to protect demand and access. Food and fuel subsidy measures have been adopted in some instances after episodes of unrest, particularly in urban areas. Grosh et al. summarised lessons relating to food subsidy provision in the Middle East, see Box 4.

#### Box 4: Food subsidies in the Middle east as a response to rising food Prices in 2007/2008

The poor in the Middle East were disproportionately exposed to the fallout of the previous food crisis (2007/8). Where data exist, they show increasing poverty and social tensions because;

- countries in the region rely on imports to a greater extent than many other countries to meet their food needs, with as much as 50% of consumed food imported,
- food staples (prices of which were rising the fastest) occupy a large share of poor households' consumption, making them vulnerable to price shocks
- countries in the region had, even before the crisis, relatively high malnutrition rates for their level of income, making any further deterioration socially painful
- the lack of adequate well targeted safety nets left policy makers without a proper instrument to help the poor to withstand increased prices, instead they relied on general subsidies which are only partly effective to protect the consumption of the poor, and
- the reliance on food (and fuel) subsidies put the government at significant fiscal risk as well. The food subsidy bill in Morocco, Tunisia and Egypt grew by 0.5 -1.5% of GDP between 2005 and 2008.

Source: Grosh et al, 2011:8

Subsidies are relatively easy for governments to implement if they are universal (as with many food or fuel subsidies), and can be introduced rapidly and with limited institutional and administrative requirements. They are, therefore, an option when systems for the provision of targeted support are not in place, or where mechanisms for transfer delivery or the identification of additional beneficiaries are not feasible. In general, subsidies are considered to represent an inefficient option with significant inclusion errors and a high cost and, as such, are little discussed in the social protection literature, with the exception of Grosh et al., 2011. However, the choice of item for subsidisation is relevant. The literature indicates that the nature of the commodity selected for subsidy can affect the distribution of benefits, with fuel subsidies being particularly effective in addressing urban poverty, and subsidies for inferior goods (cheaper foods consumed by the poor) promoting self-targeting to the poor. While fuel subsidies are regressive, in that they tend to provide

more benefits to the less poor, this is not necessarily true of food subsidies, especially where they focus on inferior foods consumed by the poor, or are targeted to specific groups. In subsidy programmes, exclusion errors are minimised and, where other mechanisms are readily available, they can be introduced relatively easily and rapidly. As such, there may be a case for the selection of subsidies as second-best instruments for effective, rapid and partially-targeted responses to both a food price crisis and an income loss. Subsidy programmes can, however, be problematic in that they can be politically difficult to phase out once introduced as withdrawal can result in instability (see for example McCord and Fidalgo, 2012, for a discussion of the unrest implications of subsidy withdrawal in Mozambique). In addition there are compelling reasons for the elimination of fossil fuel subsidies (Whitely, 2013) and as such alternative options for subsidising transport costs for the urban poor may be required. There is, however, an absence of literature empirically comparing the relative merits and demerits, costs and feasibility of subsidy-based shock response provision with more conventional forms of support, in relation to the broader social protection shock-readiness debate.

An additional form of subsidy which represents a further option in terms of crisis response is school feeding. Although not widely considered a form of social protection crisis response (for example not being included in the IEG review of social safety net crisis responses (IEG, 2012)), school feeding was widely adopted as an immediate response to the triple crisis, with a combination of World Food Programme (WFP) and GFCRF funding, as highlighted by Bundy et al (2009);

*'In the poorest countries, school feeding programs are emerging as a common social safety net response to crisis. In 2008, 20 governments looked to school feeding programs as a safety net response to protect the poorest. The UN World Food Programme assisted some 22 million children with school feeding in 70 countries, and the World Bank Group launched a Global Food Crisis Response Facility that mobilized \$1.2 billion to help countries respond to the food and fuel crises, including by scaling-up school feeding programs.'*

The potential for the effective implementation of such programmes as a form of social protection crisis response is again dependent on the existence of established systems, and the effectiveness of such programmes is dependent upon several factors, including the selection of modality (in-school meals, fortified biscuits, take-home rations, or some combination of these), the effectiveness of targeting and the associated costs. The benefit of such programmes is however primarily limited to child nutrition, school participation and educational attainment, protecting education service utilization rather than broader household consumption smoothing, and the costs can be high, for example totalling 50% of the annual per capita costs for primary education in Zambia (ibid).

### 3.6 Conclusions on social protection responses

Typically, social security provision is minimal in most LICs and many MICs, being linked as it is to engagement in formal-sector employment. It can address the needs of the new poor who are formal-sector workers affected by the crisis, and is, therefore, relevant as a safety net for this group, offering consumption-smoothing and the potential to provide an urban stabilisation function. It is not, however, effective in reducing the depth of poverty of those outside formal-sector employment. The provision of significant support through unemployment insurance and pensions is only feasible where there is a reasonably large formal sector. LICs lacking a significant formal sector have little ability to use social security approaches as a major form of shock response provision.

Social assistance does, however, have the potential to perform a function where there is a large informal sector, through transfers, employment programmes and subsidies. It has the theoretical potential to perform an automatic stabiliser function, with the onset of a crisis triggering increases in assistance as people claim benefits. In reality, however, almost no MICs or LICs operate in this way, as services are primarily supply-, rather than demand-driven and fiscal constraints limit the scale of social assistance provision resulting in highly rationed access. It is not clear, therefore, that it is feasible, either fiscally or administratively, for social assistance to perform a shock response function in most LIC contexts. And once again, it is salutary to recall the limited scale of the existing provision of social assistance coverage in most LICs, and in many MICs.

The main insights provided from the preceding review of responses to the crises are that the characteristics of pre-existing provision are a key determinant of response options and that the likely efficacy of the response, in terms of coverage and speed, will be determined by the quality and scale of existing provision



and systems. The relative reach of formal sector employment and coverage of social security provision will determine whether social security has a meaningful response to play in terms of large scale support in the context of a financial crisis.

## 4 Challenges for expansion and conditions for efficacy

This section examines the main challenges for the expansion of social protection provision as a form of shock response, and the conditions for effective responses. There are a number of key design and implementation factors that are common across instruments and that determine their performance. These issues are discussed below.

### 4.1 Challenges for expansion

#### Targeting approaches and data

Targeting choices are key to the feasibility of scale up in any particular context. Universal provision is easier to roll out rapidly than targeted provision, and may be carried out easily in conjunction with geographical targeting for the rapid direction of resources. However, much existing provision (particularly donor-financed provision) is targeted using various combinations of demographic criteria, community-based targeting (CBT) and proxy means-testing (PMT), which can be too complex to implement rapidly, relying as they do on time-intensive community consultation and data-analysis processes (McCord, 2013). The feasibility of carrying out new targeting on a large scale using complex methods is less evident in a crisis response context.

In a typical scenario, programmes are not re-visited or re-targeted with frequency and so may not be well placed to provide a shock response by rapidly identifying the new poor, or those falling deeper into poverty. Unless deliberately designed to do so, most programmes may not provide data on those falling just outside programme eligibility criteria (the 'near poor') to whom provision should be extended if there is an expansion of programming or a deepening of poverty. Even if such information were available, it would not, by its very nature, be current. There is, therefore, little readily available data to guide planning for those populations to whom provision should be extended.

One way around this that requires considerable trust between development and implementing partners is to accommodate civil-society facilitated community targeting that is not based on hard data. Such an approach can facilitate a targeting of resources that would not otherwise be possible in contexts where data gathering and analysis are technically or politically problematic. The risks of inclusion and exclusion errors can be accommodated if there are no targeting alternatives and if resources must be rationed.

Where population registries have been constructed using census or other data that extends beyond current transfer recipients, there is a greater potential to approximate targeting towards groups with characteristics associated with shock-related needs. An effective registry contains a broad spectrum of data on population characteristics that includes data on vulnerable groups. This data is available in a way that makes it relatively easy to scale up provision to the 'next band of poor', or those matching particular demographic or socio-economic criteria. However, such registries do not exist in most LICs, and the development of such initiatives is one component of the RSR investment process that will promote the systematic development of on-going social protection programming, and facilitate future shock responses.

#### Scale of response

The literature on social protection responses to the crisis tends to focus on the performance of specific projects. Development partners judge performance primarily on the basis of whether individual projects met their specific key performance indicators (KPIs), rather than assessing the scale and adequacy of interventions in relation to the overall social protection response to needs in any particular country or region. Based on a study of ten countries in 2009, McCord and Vandemoortele, however, suggested that the initial response in these countries was 'minimal'. At the same time, Ortiz highlighted the relatively limited resources

allocated to social protection responses to the crisis, relative to investment in the international banking sector (2010). Such concerns about the adequacy of overall performance were also highlighted by the ILO:

*'Unemployment insurance schemes are in place in only 64 of the 184 countries for which information is available. Social assistance public works and similar programmes also have very limited coverage globally. Even where such programmes exist their effective outreach is often very limited. Hence what we see on the global scale is a massive gap in coverage for the unemployed and underemployed working-age population who are in need of income support.'* (ILO, 2010:106)

The IEG also argues that the modest scope of implementation, together with the poor coordination of multiple and categorically-targeted and means-tested interventions, resulted in low efficiency responses in many instances (IEG, 2012). The more general literature, however, tends to review programmes within their own theory of change without reference to the broader scale of need, the scale of the anticipated response and its likely impact at a national level.

### Timeliness

The timely development and implementation of new social protection responses to the crisis has been weak, as recognised by the ILO:

*'It proved to be difficult – if not impossible - to introduce new schemes or ad hoc measures quickly enough to cushion the impact of the crisis.'* (ILO, 2011: 107)

Although the IEG cites the example of the Philippines, where a CCT initiated as a pilot in 2008, covering 6,000 households, was scaled up to reach one million households by the end of 2010 (IEG, 2012) most newly introduced shock response programmes remained extremely limited in coverage. RSR-supported PWP innovations in Sierra Leone and Liberia took between 18 months and three years to provide employment to the complete target caseload, which was limited to fewer than 20,000 workers in each instance (Andrews et al., 2011; Andrews et al., 2012). The example of the Employment Insurance System (EIS) in Korea illustrates the value of having established systems in place for rapid expansion. While the EIS programme was introduced in 1995, by the time of the Asian financial crisis in 1998, EIS coverage was too limited to cope with the huge number of unemployed, and was not able to provide significant shock response support. The programme did, however, expand over time to reach 57% of all wage workers by 2008, including 80% of regular workers (Sung, 2010), and so could play a far more significant role in response to the recent triple crises. This illustrates the difficulty of scaling up coverage of contributions-based insurance instruments rapidly.

Even contributory schemes that are fully established before crises cannot be scaled up at speed to reach all those affected, as they are by definition based on minimum contributions over time and there are limits to their flexibility, in terms of coverage, although there is space for flexibility at the margins in some components, such as the contribution period and the value of the transfers provided. These can be modified to off-set, at least in part, shock-related inflation and income loss, and this has been the area in which most programme expansion has taken place.

As the IEG confirms:

*'only in instances where program adjustments were taking place at the margin – increasing the value and coverage of an already well-designed program – and expanding works, are programs likely to have an immediate effect'. (IEG, 2012)*

Reflecting the key role of existing programmes in enabling a rapid response, seventy four per cent of short-term RSR operations were implemented through existing programmes (IEG 2012:146).

It is easier for informal-sector workers to be supported through an expansion of established cash transfer systems, which have been considerably expanded globally since the macro-economic crisis of the 1990s. However, scaling up such programmes would increase provision among the chronically poor, for whom such programmes were originally designed, rather than the 'new poor':

*'Existing CT lack institutional flexibility in intake process and management information to quickly absorb households with different poverty characteristics from the chronically poor whom the programs conventionally serve.'* (ibid)

Notwithstanding this caveat, as a result of the relative ease of increasing provision through cash transfer programmes (compared to social insurance), the rapid expansion of existing cash transfer programmes became one of the default responses to the crisis, but this expansion did not necessarily result in the effective targeting of those affected most directly, who did not share the characteristics of the pre-existing caseload, given the lack of flexibility of the existing systems, an issue which will be discussed in detail below.

### Identifying beneficiary populations

There is some debate in the literature about the distribution of the effects of the food, fuel and financial crises, and the different groups most affected by the food and financial shocks. There is no unanimity in interpreting the available evidence on which groups, in general, are most vulnerable, the extent to which the impacts are distributed across the population, or which groups should be targeted for support (the latter being at least in part a political rather than empirical question, and linked to the anticipated role of social protection provision).

In its review of the evidence, IEG suggest a distribution-neutral model of the impact of the crisis on poverty:

*'The literature has not shown any evidence that the financial crisis disproportionately affected the poorest more than the middle class or near poor. The World Bank [2010a] finds no significant impacts on the aggregate inequality index in any country under review. Rather, it finds that the crisis had a large impact on the middle class because of the loss in remittance incomes. Ravallion (2008) also argues both the poor and the middle class are affected by economic shocks. Chen and Ravallion (2009) also assume equal distribution of effects of the crisis on the population on average when simulating poverty rates.'* (IEG, 2012: 290)

However, it is important to consider the differential impacts of the food and financial crises, although it is not necessarily possible to draw a clear distinction between the two. IEG argues that:

*'because the financial crisis was mainly channelled through labor markets and remittances, it had important impacts on the near and transient poor, in addition to those already poor and vulnerable, (compared for example, with price hikes in staple foods, which directly hurt the poor). In particular layoffs and wage reduction in the formal market do not generally affect the poor as they are not a great part of the formal labor market. Also remittance income may not benefit the poorest segment of the population.'* IEG, 2012:133

A recent study by the World Bank (2011a) finds that the negative impacts on workers in MICs came mainly from a slowdown in earning, with reduced hours and wage rates, and less from any reduction in employment, leaving young male and inexperienced workers most affected by labour market contractions.

Alternatively, having reviewed evidence of the impact of the food crisis, Compton et al. come up with a different analysis of the impacts:

*'The poorest households – including many female-headed households and those with a large proportion of dependents – were worst hit everywhere. These households spend a higher proportion of their income on food and have less access to credit and savings. The main impact of rising food prices was therefore from increasing depth of poverty in those already poor (the so-called poverty gap) rather than the numbers of people newly pushed over the poverty line (the poverty headcount).*

*'The worst-affected groups reported from the surveys carried out in 2008–09, [...], were casual wage labourers (both rural and urban), land-poor farmers who produce no or a very small surplus for sale, petty food traders and brewers, and producers of commodities whose terms of trade declined significantly against food grains (e.g. pastoralists in Kenya, cotton farmers in Benin, tea workers in Bangladesh and fishermen in Cambodia). This broadly bears out model predictions. Salaried workers in the formal sector generally fared better than others in the studies reviewed.*

*'While most of the high-profile protests about food prices came from urban areas, many of the poorest and worst-affected people live in rural areas. Existing social protection and financial systems often do not reach this group.'* (Compton et al. 2010)

Compton et al. also suggest that, in contrast to the overall IEG conclusion above, inequality is likely to have increased as a result of the food crisis, largely because of the regressive effects of rising food prices, which differs from the impact of rising fuel prices that tend to have a greater impact on urban and richer areas, at least in the short-term, although they concede that quantitative data is thin.

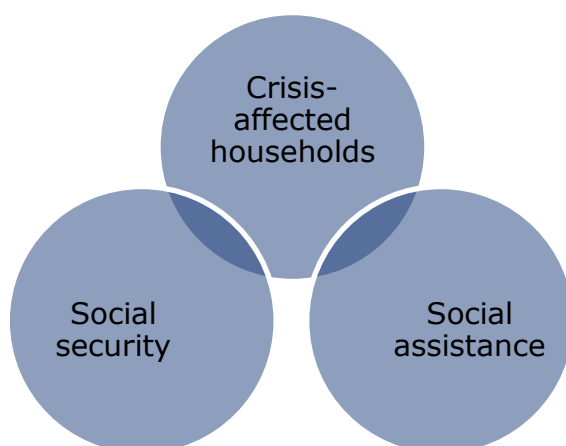
What is clear, however, is that there is not necessarily any *a priori* correlation between the poorest prior to the crisis, those covered by existing provision or those most affected by the crisis, either in relative or absolute terms.

As a result, a programme can be judged more or less successful, depending on the population considered the priority for support. Therefore, a response that is effective in addressing the temporary consumption needs of the new poor may be considered more or less appropriate and effective than a response that protects and maintains support for the chronically poor, whose relative poverty may not have declined significantly as a result of the crisis, but whose absolute depth of poverty may remain lower after the crisis. This contrasts with the newly poor, who experience a significant relative decline in income, but remain less poor in absolute terms. The subjective nature of the choices made about shock response programming is not highlighted in the mainstream literature from development partners although both Compton et al, 2011 and Grosh et al., 2011 note the allocative dilemmas such questions provoke in contexts of constrained fiscal and administrative resources.

### The adequacy of different social protection instruments for different population groups

As has been briefly mentioned above, differing populations are covered by social security and social assistance provision and the extent to which these populations coincide, if at all, with those most affected by shocks, depends on the nature of the crisis. This situation is illustrated in Figure 4 below.

**Figure 4: The differing households supported by social security and social assistance**



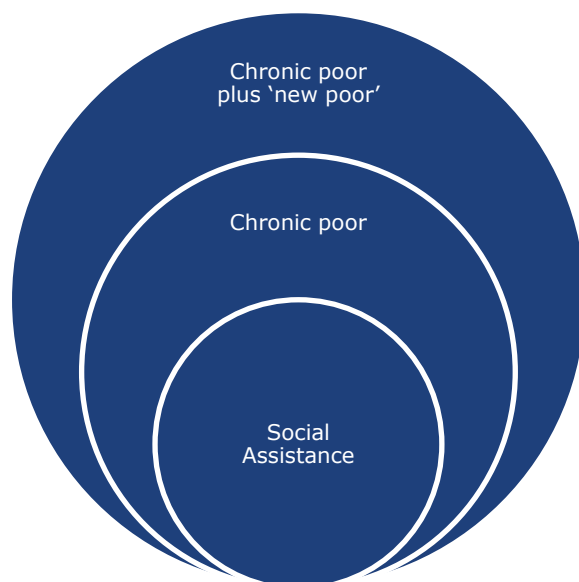
Source: Author

The intersections between the two forms of social protection support in Figure 4 represent, on the left-hand side those workers in the formal sector who are part of social insurance schemes, and on the right-hand side, those crisis-affected households that are eligible for social assistance, with criteria most often being related to poverty status, demographic status and the absence of working-age members or a high dependency ratio. As social assistance coverage tends to be limited and access highly rationed, particularly in LICs, only a fraction of the existing chronically poor receive it and only a massive expansion would shift coverage to include an additional caseload.

The implication is that expansion of either social security or social assistance would not be likely to include a significant number of the new poor or informal-sector workers, although increases in social assistance coverage and value would be effective in compensating for price rises experienced by those who are already poor.

In terms of social assistance, an adequate shock response depends on the scale of existing provision and the extent to which it can be modified (extended in coverage and in eligibility criteria) to accommodate both the chronically poor who may be experiencing increases in the depth of poverty, and the 'new poor', as illustrated in Figure 5.

**Figure 5: The relationship between existing social assistance, the chronically poor and the 'new poor'**



Source: Author

The relative size of the three circles and the extent to which social assistance can shift into the broader circle to include the new poor will illustrate how significant a social assistance response to the crisis can be. Given the limited existing provision in relation to the size of the chronically poor, particularly in LICs, the challenge to scale up to meet the needs of the 'new poor' will be even greater. It also presents a dilemma in terms of the priority target group, as it is not just a question of scaling up, but may also mean diverting resources to alternative groups of the vulnerable.

The situation of informal sector workers is particularly problematic in terms of shock-response social protection programming, as they are typically excluded from the highly-rationed cash-transfer provision available in most LICs because of their labour capacity, and are not covered by formal sector social security provision. In this way:

*'Informal sector workers easily fall between the cracks in the absence of programs that are able to provide support for the "missing middle" of the scale.'* (IEG, 2012:151)

This is an issue which will be explored further in the discussion below.

## 4.2 Programme design criteria for successful scaling up

Key aspects to scaling up provision are relevant, in general, across a range of instruments. The literature suggests that, to be effective, crisis responses must 'cover in a short period all who need protection' (Marzo and Mori, 2012:17). They must be:

- Timely;
- Targeted; and
- Temporary.



The major approaches taken to achieve this timely, targeted, temporary and needs-based response entail extending provision through the scaling up of existing instruments, increasing eligibility by lowering eligibility criteria, extending coverage with existing criteria (geographically or in absolute numbers) and increasing the value of the transfer. This model can be timely and can increase the range of the population that is eligible, within certain parameters.

However, depending on the instrument, this approach may not have resulted in the successful targeting either of those most affected by the crisis, or the new poor (as we have already seen).

In addition to this difficulty in terms of adapting existing provision to serve alternative population groups, which is in the literature, there is major concern within the literature about how such programmes might be scaled down again post crisis once provision is extended, which highlights the need for exit processes.

This is one of the reasons for the popularity of prevalent PWP model adopted in crisis response scenarios and financed within the RSR, which offers a limited period of employment. The RSR PWP model contrasts significantly with the PWP model adopted under the New Deal in the US during the great depression in the 1930s, and that offered under the *Jefes de Hogar* programme introduced in Argentina in response to the Latin American crisis of 2001 both of which provided mass employment on an open-ended basis, with the Argentinean programme being contained by closing entry into the programme, and the gradual exit of participants over time as the national economy recovered, rather than the provision of a pre-defined period of employment regardless of the duration of the crisis (McCord, 2012).

Both short- and long-term PWP employment, however, require significant start-up costs and time, and as a result of the administration and design requirements of such programmes they cannot be implemented rapidly from a standing start. So, while they can be designed to be temporary, they may not fare well in an assessment of 'timeliness'. As we have seen, they are also likely to exclude households without adequate labour. Similarly while CTs can be expanded rapidly, they cannot easily be scaled down and may represent a compromise in terms of effective targeting. In this way using existing social assistance programmes for crisis response may raise fiscal sustainability issues, as such programmes do not automatically scale down in stable times (IEG, 2011:144).

To avoid on-going liabilities, the governments of both Indonesia and Latvia scaled down the crisis-induced expansion of benefits when growth and employment rebounded, with Latvia dismantling its temporary PWP by 2012 (IEG, 2012). In Indonesia, a temporary social safety net was introduced with the specific objective of covering the period during which an adjustment in subsidies was effected. As a result, the social safety net was successfully 'withdrawn without major social or political consequences' (IEG, 2012:150).

A review of programming indicates potential trade-offs between the timeliness, targeted and temporary aspects of different interventions. However, the aspiration to 'cover in a short period all who need protection' (Marzo and Mori, op cit) may represent a significant challenge, as there are likely to be significant trade-offs between rapidity of implementation and targeting accuracy. Reflections on the World Bank's experience of upscaling CCTs as crisis response instruments led to the conclusion that although permanent safety net programmes, such as cash transfers, could be scaled up at the margins, they are generally not flexible enough to quickly protect the new poor (crisis-affected individuals who may not be eligible for poverty-targeted benefits, and may not match programme eligibility criteria).

### 4.3 Conditions for successful social protection responses

A set of broad and common conditions for successful social protection responses are identified in the literature ((Marzo and Mori, 2012) and (IEG, 2012) as follows:

- data availability to identify those in need
- existing programmes and systems already in place on which to build crisis response
- adequate institutional capacity
- adequate macro-economic conditions.

#### Data

Data availability is a critical prerequisite for the development and efficacy of administrative systems for social protection provision.

*'[...] given the limited availability of real-time crisis data, many projects aiming to address the impacts of the financial crisis could not explicitly focus on crisis-affected vulnerable people, but rather had to use instruments targeted to all poor and vulnerable households.'* (IEG, 2012:130)

Current data are required to enable recent household budget analysis and crisis impact evaluation, as a method for identifying those most in need, and to reduce the risk of excluding those most affected by the crisis who do not share the characteristics of those targeted for conventional social protection provision, whether in terms of their depth of poverty or their entry into the 'new poor' category. There is a need for data analysis to take account of the higher levels of material wealth (ownership of material goods) but the lack of liquid assets that may occur among the 'new poor', and there is a risk that data can soon be out of date in times of crisis. Targeting and needs analyses that are based on pre-existing data may result in targeting errors and may, in particular, exclude those newly-affected, rather than the chronically poor.

There is, therefore, a need for both knowledge and data about which population groups are affected (directly and indirectly) and for regular data gathering on changes in household well-being and labour market adjustments.

Where they are available, administrative and national household survey data that provide information on household spending and labour markets have informed policy development on the identification of affected households for provision, and scaling up decisions in, for example, Europe, Central Asia and some LAC countries. However, most LICs and many MICs lack the high frequency (monthly or quarterly) labour-market data required to enable such planning, and also can only access historical rather than current household-survey data. This makes it even more important that LICs have alternative and more recent data, such as administrative data from social protection monitoring that tracks bi-monthly changes in compliance rates in CCTs on, for example, school attendance), or project-specific data. Data are also needed on the specifics of shock-transmission channels in particular contexts, the main channels through which different populations are affected, and available household coping mechanisms. Indonesia's crisis response entailed focusing on ensuring the availability of adequate data for analysis of shock impacts, as outlined in box 5.

### Box 5: Indonesia Data

In the aftermath of the crisis, Indonesia implemented a three-wave panel survey using complementary data from the biannual Labour Force Survey (LFS). The survey aimed to increase understanding of crisis transmission channels and household coping mechanisms, using a small-sample statistical approach that covered just 30 households in each district. Survey analysis indicated that crisis impacts were generally low, and that no additional social protection was required at that stage.

The frequency of LFS and national socio-economic household surveys was increased to make data on welfare and poverty available every quarter. This increased frequency was intended to enable better crisis preparedness in the future and Indonesia established a permanent vulnerability and shock-monitoring and response system on the basis of these surveys.

Source: IEG, 2012.

An additional data source of great value in developing a timely crisis response is a central registry of actual or potential grant recipients, which can be used to identify additional beneficiaries on the basis of key characteristics. Few such registries are yet in place in LIC however, and so this is not yet a widespread basis for programme response data. The World Bank, however, is assisting in the development of such registries, supporting long-term reform that includes engagement with National Statistical Offices to strengthen data, (IEG, 2012:147).

In practice, many programmes in LICs have to be developed in the absence of good quality, credible current data either from the Labour Force Survey (LFS) or from central registries, on which to base targeting, but this issue is not widely discussed in the literature, nor are the challenges of operating under this constraint. This lack of current data compromises the condition for effective shock-responsiveness, of being able to identify those in need effectively.

### Preparedness through existing systems

The inadequacies of existing systems have hindered donor responses, as IEG pointed out in reference to the World Bank:

*'the Bank was limited by the inadequacy of effective and flexible country programs that protect workers whose incomes were reduced during the crisis.'* (IEG, 2012:130)

The next key condition for effective response is the pre-existence of effective instruments and implementation systems. Where well-established national systems were in place at the time of shock, for example in Korea (employment insurance, see Kang, 2001), China (health insurance) or Brazil (cash transfers, see Soares, 2009) they formed the basis of a rapid scale up. In most LICs, however, systems of social protection coordination and delivery were not similarly well developed, and were patchy in coverage or geographically limited, with uncoordinated and weak administrative and data management systems. These systems were ill-prepared to scale up provision, particularly in the absence of electronic registration, effective databases, or beneficiary data.

Soares highlights the importance of differentiating between the pragmatic utilisation of a pre-existing system, and the feasibility of developing a new system at the point of shock, using the example of the successful extension of CCT programming in Brazil and Mexico in response to the crisis:

*'CCTs that can expand during a crisis help to mitigate the effects of the crisis. They work as local level automatic stabilizers, similar to how unemployment benefits do in the developed world. They can both avert the short-term impact of the crisis and attenuate its long-term negative effects on human development outcomes.'*

*'Nonetheless, it is one thing to say that countries with CCT-like programmes are sheltering the more vulnerable from the worst consequences of the crisis, and another to recommend that CCT programmes be designed and implemented during a crisis. It is not easy to design and implement CCTs. Several steps are involved, political will is required, and funds must be committed. In Brazil, the number of beneficiaries of Bolsa Família has increased, as has the value of the benefit as an anti-crisis measure. In Mexico, a new stipend designed to compensate for the rise in food prices has been included into the grant components of Oportunidades. These changes were only possible because the programmes are well established and have been working smoothly for some time.'* (Soares, 2009)

## Systems and capacity

It is not just the strength of social protection systems but overall institutional capacity within a country that determines shock-response potential; and programmes in weak capacity settings struggled to adapt quickly to address crisis needs, especially where existing programming was fragmented and poorly coordinated (IEG, 2012):

*'Country evidence shows that programs in weak capacity settings could not quickly adapt to address crisis needs [...]. This was the case in the majority of low-income and in a few middle-income countries.'* (IEG, 2012.147)

The issue of delivery systems capacity is, in part, related to the modalities of transfer delivery and the extent to which new technologies have been adopted in existing systems. However, this is not necessarily a legacy of any specific modality per se, but of the management and systems developed around that modality, as discussed earlier.

Institutional capacity is a linked key component of response potential but is, in many instances, constrained in LICs, with available capacity focused on the maintenance of on-going basic services for the pre-existing caseload. The dilemma of adding the additional mandate of crisis response to institutions with limited administrative resources, which challenged their ability to deliver their key mandate in terms of social protection for the chronically poor, is not widely identified in the literature. The exception is Mozambique, where the need to respect the core mandate of social protection institutions, and the concern that an additional shock-response mandate could undermine on-going performance, were both highlighted by development partners (McCord and Fidalgo, 2012).

## Healthy macro-economic conditions

The identification of healthy macro-economic conditions as a prerequisite for effective shock response is somewhat contradictory, as the very event that is stimulating the requirement for shock responses is related directly to economic slowdown.



Evidently, there is a need to increase funding to enable the expansion of social protection provision (IEG, 2011). However, this requirement for additional funding usually occurs at a time of fiscal stress, and the greater the need for a response the 'unhealthier' the underlying macro-economic conditions are likely to be. Therefore, while the literature suggests that 'healthy macro-economic conditions' are required, a more relevant condition would be the ability to ring-fence core social-sector spending (health, education and social protection) and mobilise counter-cyclical investment in the sector.

Ortiz (2010, 2011 and more) has argued repeatedly for significant counter-cyclical investment in social protection provision. Evidence from countries where this approach has been followed (see for example Mesa-Lago, 2010, drawing on evidence from 25 Latin American and Caribbean countries) demonstrates that promoting counter-cyclical investment in the social sectors has both attenuated the adverse effects of crises and shortened their duration. Similarly, the ILO argues that such interventions can shorten recession and prevent long-term unemployment (ILO, 2010), and Prasad and Gerecke (2010) argue that there are no negative effects of increasing social spending during and after economic crises, although the desirability or otherwise of significant counter-cyclical investment to stimulate economic growth remains a contested and ultimately political issue as discussed below.

However, a review of the literature on macro-economic policy recommendations from both the IMF (Roy and Ramos, 2012) and the World Bank (IEG, 2012) indicates a prioritisation of macro-economic stability through deficit reduction, and the promotion of contractionary fiscal policies, without a commensurate focus on protecting investment in key social sectors. In this way the concern for the attainment of 'healthy macro-economic conditions' (as defined by reduced fiscal deficits) seems to be in direct tension with the requirement to ring-fence social-sector spending and engage in counter-cyclical investment in the sector. It risks undermining, rather than supporting, an expansion of provision. This paradox is not highlighted widely in the literature, with the social protection literature tending to focus on sector-specific issues, rather than placing it within the context of broader fiscal policy, and the potentially adverse implications of the pursuit of a contractionary fiscal stance, in the interests of macro-economic stabilisation, for social-protection provision and shock response. These issues are discussed in more detail below.

### Counter-cyclical financing options

It is possible to add the availability of external resources for counter-cyclical investment to the list of conditions for effective social-protection programming. Within both the social-protection and disaster-response literature, there is a growing emphasis on the need for systematic responses and secure financing in place of ad hoc or disaster-responsive financing, with resources delivered at the point of need, rather than driving prior planning and investment in appropriate shock-responsive programming.

### The Rapid Social Response (RSR)

The need for external resources for countercyclical investment was the driving concern underlying the initial development of the World Bank-managed Rapid Social Response (RSR). In recognition of this need, the World Bank has tripled its social protection and labour lending in response to the food, fuel and financial crises, rising from an annual average of \$1.6 billion in 1998-2008, to an annual average of \$4.2 billion for 2009-2011. As part of this, the RSR Trust Fund was designed with financial support from Australia, Norway, the Russian Federation, Sweden and the United Kingdom. Trust funds enable relatively quick and flexible crisis response interventions, especially in countries with significant borrowing constraints (IEG, 2012). At present, the RSR assists 85 activities worldwide, aiming to provide relatively small amounts of catalytic resources to help LICs build social protection and labour systems, in preparation for future crisis response. More information on the RSR and a discussion of its role in crisis response and links to the World Bank Social Protection and Labour Strategy can be found in Appendix 2.

### African Risk Capacity Facility (ARC)

A range of financing options linked to risk-financing mechanisms and insurance are being explored in relation to the disaster-resilience debate, particularly linked to programming in the Horn of Africa. The main example in the region, and linked in particular to natural-disaster responsiveness, is the African Risk Capacity Facility (ARC). This innovative financing mechanism has been developed in recent years to finance programmes that can 'flex, expand and deepen, during stresses and shocks', functioning essentially as contingency budgets, as shown in box 7 below.

#### Box 6: The African Risk Capacity (ARC) Facility

The African Risk Capacity (ARC) facility is a pan-African disaster-risk pool designed to improve drought risk financing across the continent. The overarching objective is to provide governments with fast-disbursing contingency funds to

finance drought responses. Led by the African Union Commission (AUC) and funded by the UK Department for International Development (DFID), the ARC provides a framework for drought-risk financing (e.g., reserves, contingency lines of credit, weather-indexed insurance, catastrophe bonds) that emphasises crop monitoring and early warning, vulnerability assessment and mapping, emergency response, and financial planning and risk management.

The ARC is a treaty-based organisation, recently established as a Specialised Agency of the African Union (AU) by a conference of 41 African states. It is designed to improve current responses to drought food-security emergencies and to build capacity within AU member states to manage these risks. As an African-owned, continent-wide index-based weather insurance pool and early response mechanism, ARC offers an African solution to one of the continent's most pressing challenges. By bringing together the concepts of insurance and contingency planning, ARC aims to create a new way to manage weather risk by transferring part of the burden away from African governments, and away from vulnerable populations who depend on government assistance, to international financial markets that are much better equipped to handle the risk. By linking contingency funding to effective response plans, ARC could help African governments reduce the negative impacts of droughts on the lives and livelihoods of the vulnerable, while increasing the efficiency and efficacy of external aid.

Source: Nyirenda and Goodman, 2013; Frankenberger et al, 2012.

Although the ARC is designed explicitly to support responses to natural disasters, it is relevant as a potential model for financing social-protection shock responses, as the fundamental challenge of timely financing it attempts to address is the same fundamental challenge of extending social protection provision in response to crises:

*'As currently structured, the international system for responding to natural disasters is not as timely, reliable nor equitable as it could be. Funding is secured on a largely ad-hoc basis after disaster strikes. Only then can relief be mobilised for the people who need it most. In the meantime, assets are depleted, development gains suffer major setbacks and lives may even be lost, forcing more people into chronic destitution in the world's least economically developed countries.'*

*'At the national level, disasters result in budget dislocation, as resources initially allocated to development activities are redirected to crisis response, as well as reduced income and economic growth. At the community level, households are often forced to adopt short-term survival strategies in the face of a shock that can undermine their long-term resilience and food security. Early, well-planned and appropriate interventions linked to reliable financing in the event of weather-related emergencies could help reduce the negative impact of a disaster on the lives and livelihoods of the vulnerable, protecting human, social and economic development and reducing the short and the long-term costs of assistance. **Contingent funds linked to early warning systems and appropriate contingency plans offer the best solution for delivering more effective and efficient responses** to weather shocks in the short-term and can facilitate longer-term investments to increase food security, disaster risk reduction and climate resilience.'* (Nyirenda and Goodman, 2013, emphasis added)

The emerging literature on both resilience financing relating to disaster responsiveness and alternative financing mechanisms for social protection more generally, for example through the development of international Sovereign Funds (see Frankenberger et al., 2012, and Frye and Deacon, 2011 respectively) is likely to provide a rich source of ideas for future shock-response financing options.

## 4.4 Reframing the debate

This review has confirmed the need to reframe the debate on the provision of effective, shock-responsive social protection.

### Changing needs in times of crisis and times of stability

Drawing on the discussion above, it can be concluded that the scale up of existing instruments in response to the crisis was an appropriate response, where those in need of crisis response support were identified as those already in receipt of social assistance (primarily members of labour-constrained households in most LICs) or of social insurance (those in informal-sector employment who were already included within formal social insurance schemes). But if those identified as in need were either within the formal sector but not

eligible for social insurance, or working within the informal sector, they were less likely to be eligible for support under existing provision that is skewed towards households without members of working age or with members of vulnerable groups identified by demographic markers (age, disability) in LICs. Therefore, the poor of working age who are in poor in casual employment, and who, according to Compton et al. (2011) are among the most vulnerable in the contexts of food price crises, are the least likely to be included in existing provision. For example:

*'Permanent safety net programmes, often targeted to women and children, are generally not flexible enough to quickly protect crisis-affected individuals who may not be eligible for poverty-targeted benefits.'* (IEG, 2012:152)

There may be scope to accommodate members of such households in PWP, but PWP is highly rationed in most LICs, and participation offers only temporary support (McCord, 2012) even when it is designed and supported under the RSR as a crisis-response social-protection intervention (McCord and Fidalgo, 2012; McCord and Zvogbo, 2012).

The key issue here is that, in many instances, the population in need of support as a result of a crisis may differ from the population targeted in pre-existing social protection provision. These are typically chronically poor households with high dependency ratios, and poor households with members who have demographic characteristics that make them eligible for support, (often the elderly, children and those with disabilities in LICs and many MICs). It is not necessarily the case that those targeted as part of shock responses are poorer or more vulnerable than those already identified as chronically poor, but eligibility criteria other than those adopted in pre-existing provision may be adopted for a range of political and economic reasons, often linked to urban stability and the protection of demand and as well as economic stabilisation.

The issue of vulnerability and needs in a post-crisis context is complex and there is no agreement in the literature on the distribution of effects.

The desire to extend existing provision opportunistically in order to provide a rapid crisis response and get resources into communities, has in some cases resulted in the adoption of second-best instruments in the interest of rapid and pragmatic programming, even if the intervention was not of direct benefit to the identified populations in need.

This situation is rendered more complex by the limited availability of data on which groups are worst affected by the crisis and by the multiple potential objectives of social protection provision in a crisis, which can span a reduction in the depth of poverty, reduction in the numbers of the new poor, stimulation of demand, quelling civil unrest, and so on, which is also likely to result in an associated diversity of potential beneficiaries.

### Perspectives from the International Social Security Association (ISSA)

The ISSA 'Crisis Monitor' project has monitored the impact of the financial and economic crisis on social security and subsequent responses by social security administrations around the world. In its 2012 report, ISSA draws a number of conclusions that illustrate some of the key issues in the literature:

*'Countries best able to diffuse the crisis' impacts were those that already had comprehensive social security systems in place, [...]. Schemes already operating provided policy-makers with immediate responses to respond to the crisis and to offer adequate protection to those affected'.*

The report also asserted that

*'Social security organizations responded well to the challenges posed by the global financial and economic crisis. Despite major pressures on fiscal capacity and service delivery mechanisms, social security systems have demonstrated their effectiveness in providing a social and economic buffer in times of crisis.'*

Interestingly however, this summary conceals a number of questions about the efficacy of social security-based responses – social security coverage is so small in most LICs that the impact is not likely to be significant either in terms of the proportion of affected households assisted, or any economic stimulus function. Evidence on the effectiveness of providing support is limited, no broad criteria for making such a judgement have been agreed, and many countries did succumb to pressure on fiscal capacity. The positive message inherent in such texts is linked to the use of the crisis as an opportunity to grow the constituency

that supports social protection and advocate for further investment. Indeed, the positive benefit for social protection provision resulting from the crisis is that:

**‘Social security’s positive role is increasingly recognized.** *In the wake of the crisis, the societal role of public social security is viewed much more positively; indisputably, it is seen as an essential collective tool to mitigate the effects of increasing social and economic inequality, as well as ensuring income replacement. At the international level, a broad political consensus has formed around the high priority of extending social protection to all (e.g., through the UN’s Social Protection Floor Initiative).’ (ISSA, 2012)*

The representation of the crisis as an opportunity to promote social protection spending and key reports advocating in its favour is also illustrated by the ISSA review:

**‘Social security must be reinforced, not weakened.** *Social security systems which have been weakened financially by events since 2008 will still be expected to respond to future crises. There is a strong case for continuing investment in social security in the wake of the crisis and maintaining it in good economic times. Indeed, largely flouting the trends among many high-income countries, middle-income countries such as Brazil, China and South Africa are taking preventive action and expanding their social security coverage. Further debate about social security priorities is important.’ (ibid)*

### Radical circumscription

Critically the ISSA study also highlights a major question and tension inherent in the response by development partners to the crisis more generally, relating to pressures for fiscal restraint and deficit reduction:

*‘The crisis has created an uncertain context for social security. Calls for austerity and fiscal consolidation threaten to reduce the resources devoted to social security, undermining its mandate of reducing inequality and poverty. In this context, many crisis-ridden countries are responding by radically circumscribing their social spending, generating heightened uncertainty surrounding the prospects for future social investment.’ (ibid)*

The ‘radical circumscriptions’ highlighted above is one of the major contextual factors that determines current social protection provision, medium-term crisis response and future shock-response potential. It was widely anticipated and then documented in one branch of the literature (see for example Ortiz, 2010; McCord and Vandemoortele, 2009; ISSA, 2012), but not broadly integrated into the development partner social protection and shock-response discourse, which can be characterised as missing a fundamental contextual constraint. The result has been a discussion of the social protection and shock-response debate that is somewhat isolated from the broader fiscal discussion that provides the binding constraint to provision. This challenge was highlighted in a series of papers (Ortiz, 2010; Ortiz, Chai and Cummins, 2011; Ortiz and Cummins, 2013 etc.), which draw on IMF data on public expenditures from 135 countries to reveal the fiscal constraints and implications for social-sector spending across a range of MICs and LICs, as well as the role of the international development community, notably the IMF, in promoting such fiscal constraints. These papers have also illustrated the inherent tension between development objectives relating to social protection and overall social service provision on the one hand, and fiscal stability and deficit reduction on the other, with the latter tending to dominate.

### Shock effects continue over the medium term

These papers also highlight the on-going nature of the impacts of the ‘shocks,’ illustrating their potential ‘ratchet’ effects, with the loss of productive capacity and market share created at the point of the initial shock impact resulting in changed development paths and reduced growth rates in the medium term, with significant impacts for the potential for market-based solutions and a growing need for support at a time of fiscal contraction.

The fiscal effects of the crisis were not immediately apparent in all countries in terms of budget restrictions, but the risk of longer-term fiscal contraction and reduced allocations to the social protection sector was highlighted in the literature at the outset of the crisis:

*'The financial effects of the crisis were not recognised fully in most 2008-2009 budgets, which underestimated the likely impact on government revenue. The budgets of the 10 countries were based on more optimistic growth scenarios than those currently forecast by the International Monetary Fund (IMF), leading most budgets to indicate only modest reductions in the real value of social protection allocations. The medium-term effects on social protection allocations are more likely to be significant, and the extension of social protection to those affected by the crisis is likely to be compromised by lack of resources. Even the extension of existing programmes, planned prior to the financial crisis, will be limited by falling revenues and concerns regarding the control of budget deficits.'* (McCord and Vandemoortele, 2009)

In its analysis of the likely impact of the crisis, the IMF described how successive waves of the shock would be experienced in LICs over time, and that the most severe effects would not be immediate (IMF, 2009). The IMF argued that:

*'most low-income countries escaped the early phases of the global crisis, which began in the financial sectors of advanced economies. But it is now starting to hit them hard, mainly through trade, as financial problems in advanced countries trigger recessions that dampen demand for imports from low-income countries. Of 71 countries classified as eligible for concessional IMF lending, many will at best see per capita incomes stagnate this year. And in some cases, per capita incomes could shrink. Commodity exporters will be hit hard, facing both lower export volumes and lower prices'* (IMF, 2009)

Ortiz et al. (2011) reinforced the argument that medium-term implications were very different, and more severe than the short-term first wave effects in terms of real government expenditure and allocations to the social sectors, as shown in Box 7.

#### Box 7: The on-going effects of the global economic crisis, by phase (2011)

Analysis of fiscal projection data published by the International Monetary Fund (IMF) verifies two very different phases of government spending patterns since the onset of the global economic crisis. During the first phase, most developing countries moved swiftly to introduce fiscal stimulus packages and boost spending, which largely characterises 2008-2009. Beginning in 2010, however, in a second phase of the crisis, most governments started to scale back stimulus programmes and slash budgets, a trend that appears likely to gain pace in 2011 and 2012.

Source: Ortiz and Cummins, 2011.

This analysis is further developed in Ortiz and Cummins, 2013, which extends the analysis to accommodate three waves of crisis effects, phase one (2008-12) broadly characterised by fiscal expansion with fiscal stimulus and expanded public spending; phase two (2010-12), characterised by the onset of fiscal contraction as detailed in the box above, and phase three (2013-15) characterised by the intensification of fiscal contraction. The implication of the Ortiz et al. argument, as set out in these various documents, is that the fiscal effects of the shock are not yet over, but are deepening over time, and that the situation may be deteriorating still further in terms of income loss and reduction in access to goods and services at household level, and that thinking around appropriate social protection provision should take this changed context in to account.

#### Recognition of tension between fiscal deficit reduction and social protection objectives

This challenge was examined by the Independent Evaluation Group (IEG) of the World Bank in 2012.

The IEG characterised the fiscal situation as follows:

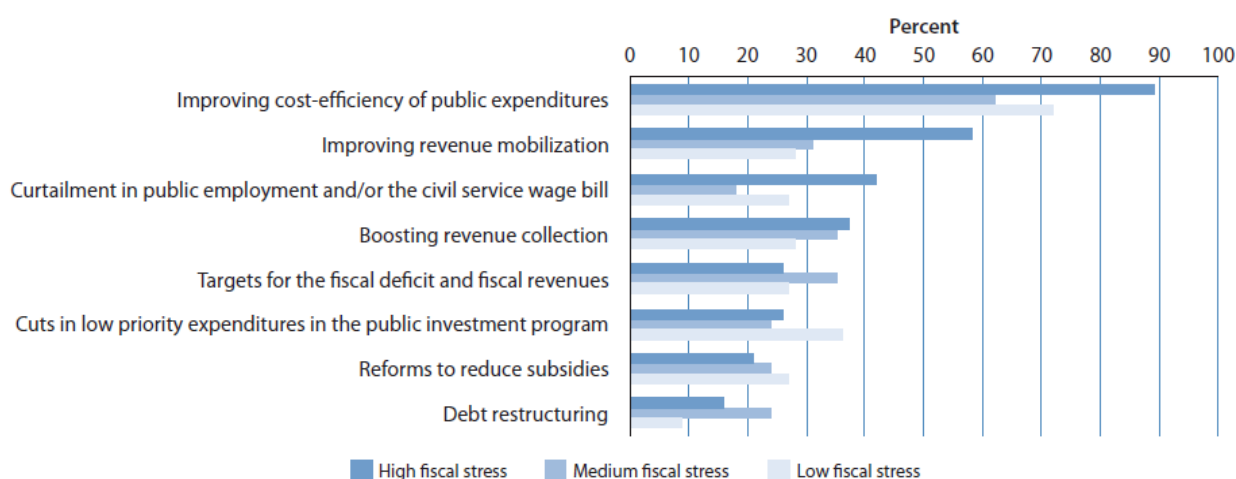
*'most often, countries that entered the crisis with weak fiscal positions set fiscal consolidation as a key priority. By contrast, countries that entered the crisis from a position of fiscal strength were able to respond counter cyclically, through fiscal stimulus. Although many countries fell into these two broad categories, several countries had to reprioritize expenditures, or introduce fiscal measures with a clear future payoff, to create fiscal space during the crisis for some measured stimulus or for spending to protect the poor. Uncertainty about the duration of the crisis, compounded by uncertainty about the size of distressed private sector liabilities that could*



*possibly be assumed by the state as a result of the crisis, further complicated matters' (IEG, 2012.)*

This is indicative of a significant tension between objectives relating to addressing fiscal deficit and social provision. This represents a particular challenge in a post-shock context of increasing fiscal deficits as a result of reduced revenues that occur at the same time as pressure for fiscal demand reduction from one branch of the international community, and calls for protected and increased provision of social expenditure from another (considerably weaker) branch. IEG reviewed measures to strengthen fiscal positions supported under World Bank crisis response Development Policy Operations (DPOs), calculated in terms of the percentage of operations, according to the national fiscal 'stress zones'. The results are summarised in Figure 6.

**Figure 6: World Bank crisis response Development Policy Operations (DPOs) measures**



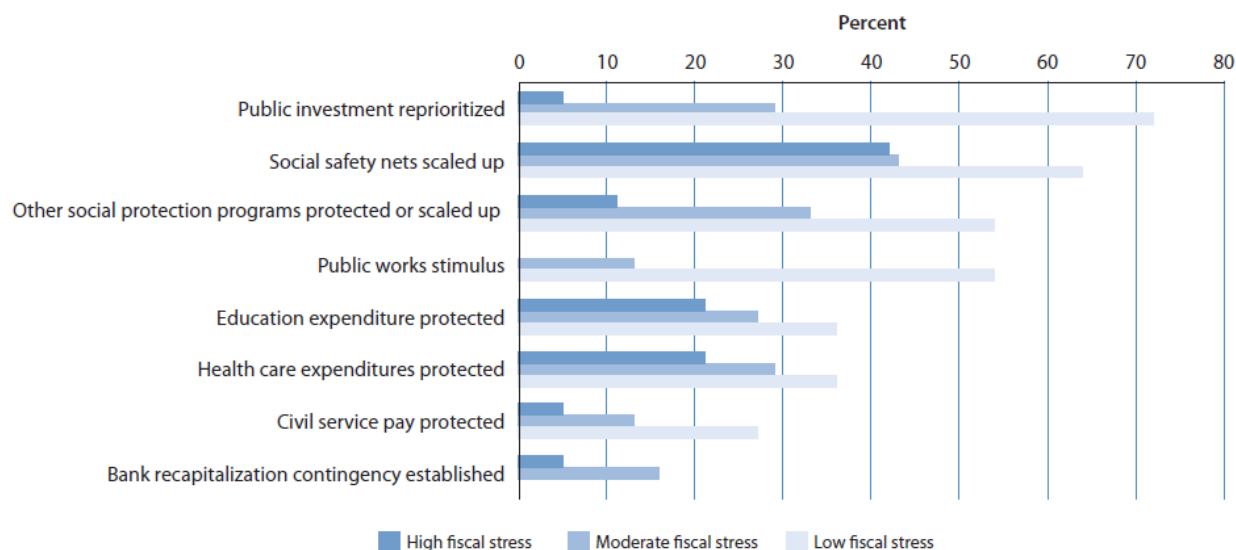
Source: IEG, 2012:82

In the highly-stressed countries, potential tensions are evident between social protection provision and measures to curtail public employment (which implies a reduction of access to social security provision and a simultaneous increase in the numbers requiring support from within the formal sector) the introduction of targets for fiscal deficits (which implies fiscal contraction), the reduction of 'low priority' expenditures (which may imply reductions in social sector expenditure) and a reduction in subsidies, which is often adopted to address price inflation in contexts where alternative and more targeted social-protection responses are not viable.

The IEG report offers further relevant insights into the Bank response, indicating that less than half of crisis-related DPOs included provisions to safeguard expenditure in the social sectors. The main counter-cyclical measures supported, presented in terms of percentage of operations, by fiscal stress zone are set out in Figure 7.



Figure 7: Counter-cyclical measures supported by DPOs



Source: IEG, 2012:84

Expenditure for SSN programmes was protected or scaled up in half of the 67 crisis response DPOs. Expenditure on health and education was protected in less than one-third of the crisis response DPOs which focused on fiscal management, and attempts to ascertain whether the level of expenditures in education and health was adequate in the countries where measure to protect these expenditures was not included in most of the operations reviewed (IEG, 2012). The review found that where fiscal space was adequate, 60% of DPOs included protection or scale up of SSN, but the percentage was far lower in countries experiencing high stress, with similar patterns emerging for the protection of pensions and disability support, and education and health expenditure. However, even in countries facing low fiscal stress, programmes were safeguarded in only about one-third of the Banks' DPOs focusing on fiscal management, and in only 20-25% of countries with high or moderate stress. Similarly, there was little or no provision to scale up public works and protect the civil service wage bill in countries facing high fiscal stress.

These findings indicate that the DPOs were not used as instruments to facilitate or support counter-cyclical investment in social protection and suggest that the bank's fiscal orientation in the wake of the crisis may not have been consistent with the proposed focus on supporting the implementation of social protection as an automatic stabiliser, as proposed by other agencies, such as UNICEF. There was also a potential tension between those concerned with fiscal management and those concerned with shock response in the form of safety nets within the World Bank (IEG, 2012:84-5).

A similar perspective is identified in Roy and Ramos' 2012 analysis of IMF policy in the wake of the crisis in terms of being excessively restrictive, pro-cyclical and paying little attention to country-specific circumstances. While Roy and Ramos argue that in the immediate aftermath of 2008, the Fund demonstrated some policy rethinking that raised expectations of change. Strauss-Kahn developed a new discourse that included scope for fiscal stimulus plans, counter-cyclical interventions and measures to ensure social safeguards, including protection of 'priority social expending' (Ortiz, 2011). However, having analysed IMF policy recommendations given to developing countries, Roy and Ramos conclude that a receptiveness to new approaches at central level was not translated into policy analysis or recommendations. This position is based on an analysis of policy advice given to 26 developing countries in 2010, drawing on Article IV reports (annual assessments made by the IMF of member countries' economies, examining exchange rates, capital account regulation, fiscal policy and inflation).

The resulting fiscal policy recommendations were found to focus on short-term stability and contraction, rather than using fiscal policy as an instrument for economic stabilisation and recovery. In general, they highlighted the need to prioritise fiscal consolidation, with recommendations relating to increasing

government tax revenues, downsizing the government wage bill and restricting any public external short-term borrowing that might be required to finance counter-cyclical interventions (Roy and Ramos, 2012).

### Implications

These macro-economic preoccupations with deficit reduction and the need for a contractionary fiscal stance have significant adverse implications for the sustainability and on-going provision of health, education and social protection services and the development of provision that is systemic, given the limited emphasis on financing additional or ring-fencing the budgets for existing provision. This may imply that a concern to promote marginal increases in already limited social protection provision in many LICs may be dwarfed by the implications of reduced funding for the social sectors overall.

## 4.5 Summary of options

One of the main constraints to effective performance is path dependency, due to the difficulty of rapidly developing and implementing a new programme to scale in the aftermath of a shock. In this way response options are primarily confined to the instruments already in use, and as a consequence both the geographical and demographic targeting of shock responses are likely to reflect the distribution of coverage in established systems. This may result in the implementation of programmes which do not directly target priority beneficiaries and hence entail significant exclusion error but are the only feasible response option available.

Where only fragmented and uncoordinated social protection exists and central administrative systems are weak, the immediate response options are limited to the adoption of market interventions, such as the introduction of subsidies or reduced taxes, interventions which can be implemented rapidly, and relatively easily. Such approaches can entail significant inclusion error, and are considered to be inefficient due to their potentially regressive nature, depending on the commodity selected, but may represent the most feasible option in a capacity constrained environment.

Hence where there is no viable social protection provision, the second or third best options may need to be selected in order to generate some kind of social protection response to protect access to basic commodities and services among the poor. Hence the RSR rationale for consolidating existing provision and supporting systems development for future response is appropriate.

However, such an approach may be in tension with simultaneous pressures for fiscal constraint which may lead to government preferences for implementing short-term responses, rather than supporting investment in longer term social protection systems, as summarised below;

*‘in many countries there was limited opportunity to address long-term social protection issues and the link to labour markets, mainly because of lack of client interest’ (IEG, 2012:148).*

While IEG candidly articulates this fundamental challenge, the issue is not explored more widely in the literature.

## 5 Conclusions and future implications

This final section summarises the main conclusions drawn from the literature review, and sets out the implications for future programming and research.

### 5.1 Lessons from previous crises

The main lessons from previous crisis in terms of shock response social protection programming, as identified by Grosh et al., 2011, are summarised in Box 8.

#### Box 8: Determining the most appropriate response – lessons from previous crises

- The quickest, cheapest and most sufficient safety-net responses will be to increase the value of transfers that are already well targeted and that have high coverage of the poor.
- The second-best option is to work with transfer programmes that are well targeted but with lower coverage.
- In-kind support or food distribution will be appropriate where markets function poorly, where foreign assistance is only available in-kind, or where strategic grain resources need to be rotated.
- It is difficult and time consuming to mount new programmes but countries can make progress with determined effort.
- Where administrative frameworks are lacking, countries often resort to across-the-board market and trade interventions that are typically regressive in their impact.
- Nutrition programmes should be considered as part of the likely policy response, especially (but not only) where malnutrition rates were high before the food price increase.
- Unfortunately, the existence of technically-sound programme options does not always prevent less sound policy choices.
- Some programmes will have exclusion errors caused by explicit design features.
- Overcoming such exclusions suggests the use of complementary programmes where possible.
- All programmes suffer imperfections in coverage.
- Many programmes have relatively static targeting systems.
- There are strategic questions to face about how to increase the benefits of coverage and how to scale them back down again.
- In increasing benefits or coverage in the face of food price increases, it is important to consider from the outset whether they should be scaled down if and when food prices drop.

Source: Grosh et al, 2011: 16- 18

This summary offers a practical review of the range of issues discussed in the literature and provides a context for the conclusions drawn from this review, which are set out below.

### 5.2 Conclusions

The main conclusions and learning points from the review can be condensed into 16 points.

#### 1 Different crises and different impacts are often conflated

The different impacts, (in terms of duration, affected group, severity of impact, etc.), and the associated social-protection requirements emerging from the different forms of crisis to which a country is vulnerable are not differentiated adequately in either programming or in the related literature. There is no norm of rigorous definition of the nature of the crisis to which systems are attempting to respond, which impacts are being addressed and which population groups are of primary concern or why. It is not always possible to differentiate the impacts of the various crises, especially when experienced simultaneously, but there is scope to improve analytical thinking around these questions, and the programme design responses.

**2 Three main approaches are discussed in the literature**

The literature focuses on three conventional forms of social protection as shock response options: social assistance, social security, and ALMPs. There is little focus on alternative instruments such as in-kind transfers, subsidies, or formal linkages with humanitarian-style responses, which may be more relevant in terms of rapid response and short-term implementation.

**3 New programmes take time to be initiated**

Many conventional social protection instruments are not amenable to rapid scale up at the point of crisis and new systems can take several years to become effective at scale, particularly in contexts that face resource and capacity constraints.

**4 Programmes can only go to scale when well established**

It is only possible to scale up existing programmes to reach significant coverage levels in the short-term in contexts where existing programmes and administrative and delivery systems are well established. The set of feasible response options is limited by existing provision and the potential for scale up is limited where programmes are fragmented and have only low coverage. Therefore, pre-crisis provision determines, very largely, what options are viable, and the conditions under which expansion is possible.

**5 Much current shock-response programming is marginal**

Existing social protection coverage, and the associated shock-related responses, are marginal in terms of the proportion of the eligible in receipt of support in many LICs and possibly many MICs. In many cases, the support is short-term relative to the needs and is provided tardily. In order to identify large scale response options where existing coverage is poor, it may be relevant to look outside existing social protection systems and at the response options in the humanitarian sector.

**6 The role of PWPs in shock response is ambiguous**

PWPs require considerable time for design and roll out and are not an option for rapid crisis response. Where effective context-specific models are being implemented, rapid expansion may be possible, but not in contexts of low institutional and administrative capacity as PWPs have high administrative resource requirements. Most PWPs implemented as part of shock-response programmes in LIC are not readily scalable.

**7 Unemployment insurance is not significant in low income countries**

The scale of unemployment insurance provision in most LICs, and in many MICs is such that it is only relevant to a small percentage of formal-sector workers and the benefits it offers are limited to the short-term. Attempting to use UI as an instrument for shock response, therefore, even among formal sector employees is likely to result in minimal levels of coverage. UI is not a relevant instrument for mass shock response, and is given more prominence in the programming debate than is proportionate to its likely impact.

**8 ALMPs are of limited value, with only a limited target group**

The value of ALMPs in LICs is likely to be limited, given their minimal reach into the informal sector, the chronic nature of underemployment and unemployment and on-going debate about the efficacy of some ALMP elements, such as retraining. It is not clear that investment in ALMPs represents an efficient use of scarce shock-response funding in LIC contexts.

**9 Meeting the needs of informal-sector workers remains a challenge**

Whether affected by food or financial crises, informal-sector workers remain a challenge in terms of shock-responsive social-protection provision, as they are excluded from social security and also from most social assistance in LICs, where cash transfers are highly rationed and tend to exclude those with available labour.

**10 There are different potential groups of beneficiaries and a lack of criteria to drive allocative decisions**

The groups considered eligible for shock-response programming include the chronically poor whose poverty is deepening, and the new poor who may remain (in absolute terms) less poor than the original caseload. The new poor and the old poor have different characteristics: the new poor are unlikely to be eligible for support under the established instruments that are in place for the chronically

poor. There may be a tension in attempting to design shock-responsive programming using instruments designed to respond to chronic poverty. There is, at present, no clear process to guide policy makers through the ethical dilemmas and allocative trade-offs these questions raise in terms of allocating resources to the new or old poor.

#### **11 Second-best options may be appropriate**

The adoption of second-best options, such as subsidies, or school feeding, may offer a pragmatic response to future shock response, and be the most feasible and cost-efficient option where institutional weakness and limited existing systems constrain intervention options. The role of subsidies is not discussed or promoted widely as part of response agenda, but may be a feasible option in LICs.

#### **12 The crisis offers an opportunity to promote social protection**

The crisis has provided an opportunity to focus additional funding resources and institutional energy on social protection and to invest in strengthening the national systems and key institutions required for future social protection programme development, such as central registries that can play a key role in both on-going provision and, potentially, in shock-response capacity, with the RSR playing a key catalytic role.

#### **13 There is a tension between developing systems that are crisis responsive and those that are effective in addressing chronic poverty**

Existing social assistance systems do not function well as a basis for crisis response, given the different chronic poverty and shock caseloads and support requirements. The focus on future shock-response capacity in current programming may not be appropriate in terms of on-going social protection systems development and may distort or even undermine progress on the development of systems to address chronic poverty. There is a risk of diverting critical resources required for the development of sustainable systems into shock-response activities.

#### **14 Financing remains a critical issue**

The sustainability of short-term RSR-funded interventions is in question, and there is a need to identify resources both for counter-cyclical shock responses and conventional social protection programming in an economic context of global constraint. There is a need to explore new financing options, such as the ARC, and innovations such as the proposed sovereign fund as continued systems development will require on-going external financing.

#### **15 There may be a tension between the international community's macro-economic and social sector responses to the financial crisis**

There may be a continuing tension between the macro-economic stance of major donors and their stance on shock-responsive social protection programming. Despite widespread recognition of the need for counter-cyclical stimulus measures at a policy level, evidence suggests that World Bank and International Monetary Fund (IMF) operations in fact often promoted a contractionary fiscal stance in practice. The dominance of this macro-economic argument is resulting in continuing downward pressure on government spending and there is limited ring fencing to counter the negative impacts on social spending. This highlights an inconsistency between macro- and micro-policy prescriptions within key development actors.

#### **16 The financial crisis represents an ongoing challenge**

The financial crisis is not yet over in terms of its implications for fiscal contraction and the on-going deterioration of fiscal space. There is a need to relocate the debate about social protection systems development within this context of on-going crisis and to recognise and address the fiscal implications.

## **5.3 Implications for future programming**

In terms of future programming suggestions, Grosh et al. offer an excellent and concise prescription:

*'The findings suggest that despite a relatively stronger level of preparedness across many countries, a medium term agenda remains – especially since concern extends beyond the narrow range of countries currently presented. Priority areas of action may include the development of at least one sound poverty targeted program in countries without such; developing agile targeting systems, especially allowing on-demand application; and ensuring*

*that the mix of programs and instruments are suitable for crisis response as well as for combating chronic poverty and inequality.’ (Grosh et al., 2011: 21)*

## 5.4 Implications for future research

In terms of future research, the author proposes a list of options that are not adequately addressed in the current corpus.

There is a need for further empirical analysis across a number of countries to ascertain the extent to which different groups are in need of support and under what crisis conditions, and which instruments are appropriate for delivering support to them, taking into account the heterogeneous nature of both crises and beneficiaries. Similarly, there is a need to clarify and make explicit the conceptual and allocative debate about which groups should be prioritised for support, and how the needs of the new poor, the near poor and the chronically poor should be evaluated and compared. There is also a need to clarify the debate and the challenges relating to efforts to service both the new poor and the chronically poor in a single instrument and to highlight the associated trade-offs and tensions between attempting to develop shock-response capacity on the one hand, and adequate responses to chronic poverty on the other.

It would also be of value to appraise the scale and adequacy of provision to date relative to need, (in terms of, for example, the numbers assisted, the values of transfers and the duration of assistance) to test an emerging hypothesis that shock-response provision may be marginal in many LICs despite its prominence in the resources and the literature, which may be overstating, or at least failing to quantify in meaningful terms, its impacts.

It is time to re-appraise the relative merits of second-best options that are easy to implement, such as subsidies, which have been largely vilified in the social protection literature. Such interventions may be a more feasible, large scale and rapid option in low-capacity contexts and should be part of a reappraisal of the efficacy and reach of the conventional triumvirate of responses. Given the compelling case for the elimination of fossil fuel subsidies (see Whitely, 2013) this re-appraisal should not be extended to include the provision of such subsidies.

Given the difficulties of responding rapidly using existing systems and modalities, there would be value in learning explicitly from the humanitarian sector and from its vibrant debate on options for the delivery of social protection in crisis contexts, which may be more relevant than seeking shock-response solutions from systems designed to address chronic poverty. This could be linked directly into the social protection shock-response debate.

From a fiscal perspective, it would be worth exploring the opportunities for counter-cyclical funding in the social protection and social services sectors, drawing on RSR and ARC examples as well as proposals for alternative financing modalities and, again, examining crisis-response mechanisms from the humanitarian sector.

From an economic perspective, it is also important to consider relocating the shock and responses debate within the context of an on-going crisis, rather than containing much of the debate within a notional 1-2 year shock period, recognising the reality of the continuing effects of the financial crisis and the changed global context.

Associated with this reframing of the debate is the need to explore the risk that on-going fiscal constraints may be a bigger and more relevant channel for adverse impacts in terms of access to basic goods and services than failure to expand social protection provision.

Finally, there is work to be done to analyse the tension between multilateral agency-supported fiscal-stability prescriptions and the objectives of extending social-protection provision, and whether these prescriptions are more important determinants of social protection and basic-service provision than marginal adaptations of existing social-protection provision. There would be value in assessing whether the social-protection discourse is failing to engage effectively with the far more important macro-economic debate, from which it has become separated.



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## Appendix 1: Summary of selected country responses

	Existing provision				New provision				
Country	Cash transfers	Public works programmes	Social security/ labour-market interventions	Social service provision	Cash transfers	Public works programmes	Food subsidies	Social security/ labour-market interventions	Other
Latin America and the Caribbean									
Argentina	Increase access to social assistance by extending eligibility criteria.		Reduction in social security contributions.			Development of 'Public Works for all Argentiniens' plan.		Employment subsidies introduced.	
Bolivia			Increase minimum wage.						
Brazil	Extend access to Bolsa Família by relaxing eligibility criteria Increase value of Bolsa Família and pension.		Increase minimum wage. Extend formal sector unemployment benefit by two months.						
Chile	Scale up existing CCTs. Extend social pension coverage. Increase benefit values. Additional CCT payment.							Wage subsidies.	
Colombia	Extend existing CCT as crisis response.								

	Existing provision				New provision				
Country	Cash transfers	Public works programmes	Social security/ labour-market interventions	Social service provision	Cash transfers	Public works programmes	Food subsidies	Social security/ labour-market interventions	Other
Costa Rica	Increase value of social pension.								
El Salvador	Scale up existing CCTs.							Training.	
Jamaica	Added unconditional component to CCTs for extreme poor.								
Guatemala	Strengthen existing CCTs.								
Haiti							Rice subsidy.	Temporary income support programme.	
Honduras			Increase minimum wage.						
Mexico	Extend existing CCT Oportunidades (CCT) & Seguro Popular (health insurance). Temporary increase in value of CCTs (became permanent).							Temporary income support programme.	
Panama	Scale up existing CCTs.								
St Lucia								Temporary income support.	
Uruguay			Increase pension						



	Existing provision				New provision				
Country	Cash transfers	Public works programmes	Social security/ labour-market interventions	Social service provision	Cash transfers	Public works programmes	Food subsidies	Social security/ labour-market interventions	Other
			coverage by reducing minimum contribution period (35 to 30 years).						
Sub-Saharan Africa									
Burkina Faso	RSR-supported CT								
Cameroon									RSR-funded Safety-net pilot.
Congo, DR	RSR-supported CCT pilot for vulnerable children.								
Ethiopia		Increase PWP wage (food & cash)					Suspension of VAT and taxes on cereals. Urban food subsidy.		
Ghana									RSR-funded systems strengthening for social protection.
Kenya					Cash transfers for elderly.				RSR-funded systems strengthening for social protection.
Liberia						RSR-funded PWP for youth.			RSR-funded institution building for future SP.

	Existing provision				New provision				
Country	Cash transfers	Public works programmes	Social security/ labour-market interventions	Social service provision	Cash transfers	Public works programmes	Food subsidies	Social security/ labour-market interventions	Other
Mozambique						RSR-funded PWP pilot.	Food and fuel subsidies.		
Niger							Irrigated rice fertilizer subsidy.		
Sierra Leone						RSR-funded PWP.	Reduction in rice import tax.		RSR-funded systems strengthening for social protection.
South Africa	Extend child support. Increase pension eligibility by reducing retirement age for men. Increase value of pension and disability grants.	Extend EPWP.					Emergency food relief.	Skills training for youth and laid-off workers. Tax relief for low- and middle-income earners.	
Tanzania	Increase minimum pension levels.								
Zambia								Job protection.	
Zimbabwe						RSR-funded PWP pilot.			
Middle East and North Africa									
Egypt				Extend health coverage.					
Jordan	Increase value of CT and reduce income threshold for eligibility (for		Increase value of minimum wage.						

	Existing provision				New provision				
Country	Cash transfers	Public works programmes	Social security/ labour-market interventions	Social service provision	Cash transfers	Public works programmes	Food subsidies	Social security/ labour-market interventions	Other
	non-government-sector workers).								
Yemen	Could not extend Social Welfare Fund CT because of operational and targeting problems.	Extend Labour Intensive Public Works Programme (LIPWP)							
Asia									
Bangladesh	Increase value of old age pension.				Pilot CCT for the extreme poor.				
China			Exemptions from unemployment insurance contributions. Extend pension to rural population. Pilot pension scheme for farmers and rural migrant workers.	Universal health care for urban population. Reduction in health insurance premiums.					
Pakistan	Extend social safety net coverage.			Extend health coverage.					
India	Extend pension coverage.			Extend health coverage.					
Indonesia			Increase employment retention subsidy.						

	Existing provision				New provision				
Country	Cash transfers	Public works programmes	Social security/ labour-market interventions	Social service provision	Cash transfers	Public works programmes	Food subsidies	Social security/ labour-market interventions	Other
Philippines	Extend CT relating to health, nutrition education and children. One-off additional cash grant for pensioners.			Increase value of health insurance. Extend health insurance coverage.		RSR-funded PWP - all government departments required to allocate 1.5% of budget to emergency employment creation (CLEEP).	School feeding.		
Timor Leste									RSR institution building for future SP.
Eastern Europe and the Commonwealth of Independent States									
Armenia	Increase value of CT.								
Bulgaria	Extend coverage of CTs. Increase value of CTs		Increase unemployment benefits Expand wage subsidies and existing ALMP.						
Estonia			Cancel compulsory contributions to social security.						
Latvia			Increase coverage by relaxing eligibility criteria for			RSR-funded Emergency PWP 2009-			

	Existing provision				New provision				
Country	Cash transfers	Public works programmes	Social security/ labour-market interventions	Social service provision	Cash transfers	Public works programmes	Food subsidies	Social security/ labour-market interventions	Other
			unemployment benefits. Increase value of unemployment benefits and frequency of payment.			2011.			
Moldova		Scale up labour-intensive PWP.							
Romania	Increase pension benefits, reaching half the population - reduced poverty rate and increased income, but fiscal pressure.		Increase value of unemployment benefits.						
Russian Federation			Inflation-adjusted pensions.						

## Appendix 2: The Role of the RSR in Shock Response

The initial World Bank response to the crisis was funded through the Global Food Crisis Response Programme (GFCRP) which focused on support for social safety nets (SSN) provision (broadly defined) in countries where the bank had an existing presence. This initial response did not however include Low Income Countries (LICs) to any significant degree (World Bank, 2009), and to counter this the Rapid Social Response (RSR) Trust Funds (referred to hereafter for the sake of brevity as the RSR) was established in 2009 explicitly to support responses to the triple crisis in LICs. The RSR was managed under the Vulnerability Financing Facility (VFF), a dedicated facility which coordinates both the GFCRP and the RSR.

The RSR had the objective of creating new social safety nets (SSN) in LICs by providing small scale funding to catalyse and support the development of SSN and their implementation in the short-term, protect access to basic services and promote knowledge sharing. This was achieved by supporting 83 projects selected through competitive processes in 43 countries, of which 48% were in sub-Saharan Africa (World Bank, 2012a). More detail on the RSR is given in box 9 below.

### Box 9: The Rapid Social Response Trust Fund

Launched in 2009, RSR deploys resources in its core operations that are used exclusively for IDA-eligible (i.e. low-income) countries.<sup>2</sup> Three donors—the Russian Federation, Norway, and the United Kingdom—contributed US \$61.7 million to the trust fund. Of the total, the Russian Federation has donated more than 80 per cent, or US \$50 million. Norway has donated US \$8.5 million (NOK 50 million); and the United Kingdom has given US \$3.2 million (GBP 2 million).

The Trust Fund Administration Agreement came into effect in 2009, with the UK signing first in July (amended in November to modify the instalment schedule), the Russian Federation signing in October, and Norway in December—the same month that, with the arrival of the donors' first instalments, RSR became operational.

In addition to resources from the trust fund, RSR-supported projects often leverage resources from the International Bank of Reconstruction and Development (IBRD) or the International Development Association (IDA). Compared to the Global Food Crisis Response Program, which is focused primarily on immediate mitigation of the harms of elevated and fluctuating food prices, RSR was given a broader mandate and a longer time horizon. The greater latitude was important so it could give rapid and effective support to the low-income countries that were the least prepared for severe shocks. Some middle-income countries had, by the time the recent series of crises hit, spent nearly two decades building their social protection systems and institutions. Brazil, Mexico, and Colombia, for example, could quickly expand and reinforce their safety nets—*Bolsa Família*, *Oportunidades*, and *Familias en Acción*, respectively—for the poor and the vulnerable. An advantage of having systems already in place is “automation,” or their ability to be triggered or adapted by the onset of a crisis—say, by increasing the level of benefits or lowering the thresholds for eligibility.

Source: Marzo and Mori 2012

RSR-supported projects fall into three key themes: i) building social safety nets and other social protection and labour systems to protect the poor, ii) protecting access to basic services for the most vulnerable, and iii) promoting knowledge sharing.

### Building nets and systems

These projects help design, develop, and implement interventions to protect the poor during crises. Projects in support the development and implementation of a range of conditional and unconditional cash transfers and public works programmes to address vulnerability; contribute to systems strengthening to support the scaling up of existing mechanisms; pilot-test new programmes which have not previously been utilized in-country; and strengthen technical and institutional capacities. Other projects within this theme involve policy and programme analysis and development.

<sup>2</sup> IDA (International Development Association) countries are those that had a per capita income in 2011 of less than \$1,195 and lack the financial ability to borrow from the IBRD. IDA loans are concessional, namely interest-free loans and grants for programmes aimed at boosting economic growth and improving living conditions.



## Protecting access to services

Projects under the second theme support the protection of access by the poor and vulnerable to basic social services such as nutrition, health, and education.

## Sharing knowledge

The third theme involves the creation of processes for sharing lessons between countries and sectors, in support of the creation, documentation, and dissemination of analysis and programme design and implementation.

## The Work of the RSR

The RSR does not fund a stream of benefit payments, except in small pilot projects, but instead aims to be catalytic, drawing in other resources and partners. The RSR has demonstrated that modest funding levels, can, in some contexts support the construction of systems that are capable of expanding to support a large number of beneficiaries within a limited period (as in the case of the CLEEP in the Philippines), although this is not the case in all instances, with many pilots remaining small scale and of temporary duration.

RSR-supported investment in beneficiary registry and identification systems, poverty targeting and payment mechanisms has the potential to play a significant role in strengthening national level social protection systems, improving medium to long term efficiency and effectiveness, while potentially catalysing further resources in response to improved implementation capacity.

According to a recent evaluation of social safety nets (SSN) by the Independent Evaluation Group (IEG) of the World Bank, the RSR has also enabled the World Bank to extend its SSN programming into a greater number of LICs;

*‘...resources to support [social safety nets] and institution building and to stimulate country demand were lacking in [low-income countries]. As additional funds were provided through the RSR trust funds, engagement in LICs increased, and the Bank and countries focused more on institutional strengthening’ (IEG, 2011).*

In this way the RSR has provided an additional funding resource for the implementation of the World Bank’s recently finalized Social Protection and Labor Strategy (2012–2022) which has both systems strengthening and expansion of social protection programming in LICs as major themes, and named the RSR as an instrument central to the successful implementation of that strategy (World Bank, 2012b). The RSR has provided seed financing to open the door to more substantive dialogue or started to build capacity for programme administration (Grosh et al., 2011:20-21), so in this way the RSR has represented a key strategic resource to support the realization of the broader World Banks SPL strategy, as well as a response to the triple crisis. The relationship between the new strategy and the RSR is outlined in box 10 below.

### Box 10: The World Bank’s New Social Protection and Labor Strategy on the RSR

The major partnership challenge is to join forces to build foundational SPL [social protection and labour] systems in countries where these are lacking, as exemplified by the RSR initiative. This effort builds on the collaboration mobilized as an urgent response to the pressing 2008-2009 food, fuel, and financial crises [...]. The RSR initiative, together with the Global Food Response Program and Japanese Social Development Fund, financed programs in 19 (mainly IDA) countries that had previously received no safety net support. Today, the US\$61 million RSR fund financed by Russia, Norway and the United Kingdom stands out as a prominent example of a successful multilateral partnership, which will evolve to become the umbrella TF [trust fund] to support the implementation of this strategy.

Source: World Bank, 2012a

Notwithstanding this strategic role for the RSR, within the Bank, Grosh noted in 2011 that the financing was of a limited time period, and that the average RSR project life span was by design limited to approximately 15 months (Grosh et al., 2011: 21). This indicates a potential tension between the rapid response short-term crisis nature of the RSR, and simultaneously more ambitious objectives it seeks to address, and also sets a challenge inasmuch as the fund is attempting to engage in long term process and systems development but using short-term catalytic inputs – an ambitious but potentially contradictory approach.

Hence one outcome of the RSR has been the use of trust funds to finance the development of one-off short-term pilot SSN programmes (including in Cameroon, Nepal, Liberia, Sierra Leone, Zimbabwe and Mozambique) (IEG, 2012; World Bank, 2012a). Given the exclusively catalytic and short-term role of RSR financing the sustainability and efficacy of such an approach is likely to be contingent on the extent to which there is i) domestic demand for and ownership of such interventions, ii) they fit within existing social protection strategies and systems development plans, and iii) there is a significant likelihood of follow through, in terms of financing and programme development and expansion. The extent to which these three conditions are met has not yet been explored in the literature.