

# Strengthening Shock Responsive Social Protection in Nepal



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# Social Protection: What is it?

- Social protection (SP) is defined as a broad range of public and sometimes private instruments to *tackle the challenges* of *poverty, vulnerability and social exclusion* (European Commission 2015).
- World Bank Social Protection and Labor Strategy, 2012-2022 says “Social protection and labor systems, policies, and programs help individuals and societies manage risk and volatility and protect them from *poverty* and *destitution*—through *instruments* that improve *resilience, equity, and opportunity*”.

# Social Protection: What is it?

- *It identifies three interrelated goals for social protection:*
- **Resilience** for the vulnerable through insuring against the impact of drops in wellbeing from a range of shocks.
- **Equity** for the poor through protecting against destitution and promoting equality of opportunity.
- **Opportunity** for all through promoting human capital in children and adults and “connecting” men and women to more productive employment.

# Shock Responsive social protection: What is it then?

*There is no single  
definition of 'shock-  
responsive social  
protection'.*

# Shock Responsive social protection: What is it then?

Social protection is intrinsically *intended to be shock-responsive* in the sense that it should support people in the event of a shock or help to mitigate their susceptibility to shocks. It should be considered that the concept of a 'shock-responsive social protection system'—*one that can respond flexibly in the event of an emergency*—refers implicitly to *covariate* shocks, rather than the *idiosyncratic* shocks.

# Shock Responsive social protection: What is it then?

"Shock-responsive social protection is a term used to bring focus on shocks that affect a large proportion of the population simultaneously (covariate shocks). It encompasses the adaptation of routine social protection programmes and systems to cope with changes in context and demand following large-scale shocks.

# Shock Responsive social protection: What is it then?

*This can be ex-ante by building shock-responsive systems, plans and partnerships in advance of a shock to better prepare for emergency response; or ex post, to support households once the shock has occurred.*

# Take away line: SRSP

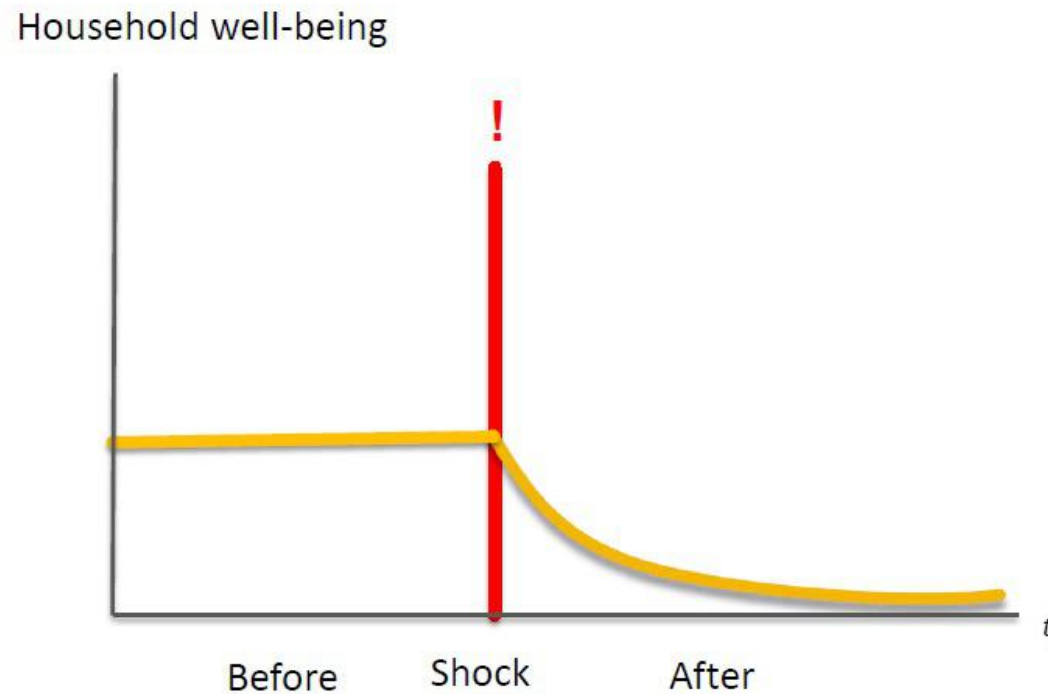
- What really matters is what they have in common: the acknowledgement that *Social protection could play an important role in the context of increasing hazards, shocks and stresses.*
- Social Protection's *core mandate* is to address *poverty and vulnerability – no matter how these needs are generated*. Whilst DRM, humanitarian sectors also aim to mitigate or respond to needs driven by a shock. All three sectors are trying to address the needs of a household.
- There is some confusion in the core terminology: ultimately it is worth avoiding conceptual tensions on wording and focusing on function:  
*what are we trying to collectively achieve?*



# Shocks largely affect the HH wellbeing

## Shocks:

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



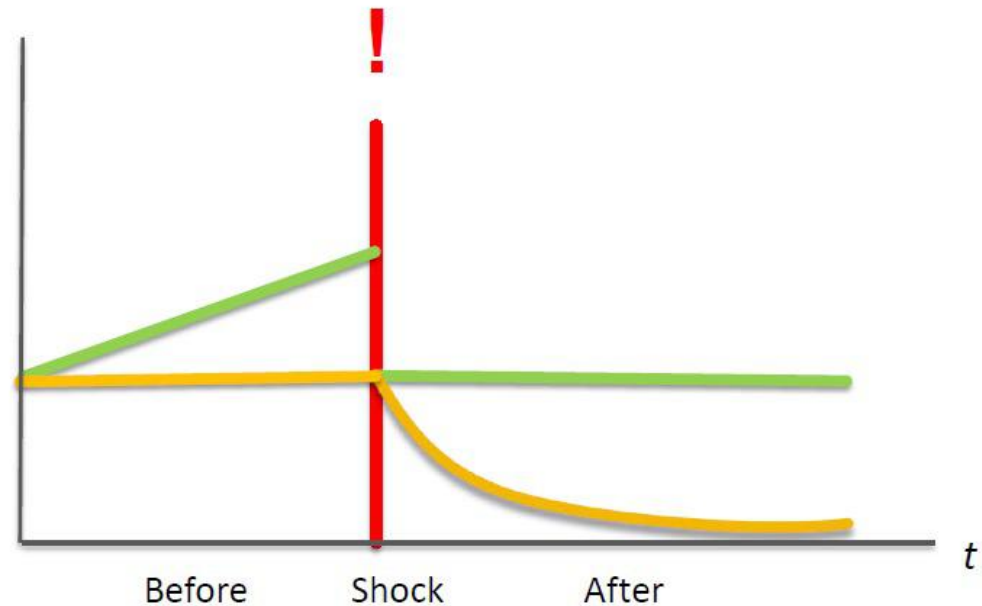
*Adapted from J. Pandey's presentation.*

# SP can play role in mitigating the impact of shocks

*Social protection can help by*

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

Household well-being



# Why to focus on shock responsive social protection

- The number, severity, complexity and duration of humanitarian crises raising and has *overburdened traditional humanitarian systems*;
- Recent crises have caused displacement on an *unprecedented scale*;
- Most shocks are broadly predictable, recurrent and/or protracted, with *routine caseloads*;
- Short-term humanitarian strategies, funding cycles and programmes are neither intended nor able to *address long-term crises and the interplay of shocks with poverty and chronic vulnerability* .

# Why to focus on shock responsive social protection

- There is increasing evidence of the *cost-effectiveness of early action* via *existing systems rather than ad hoc, ex post responses*;
- Established social protection systems *in low and middle-income countries are increasingly being leveraged to respond to emergencies*.

The Grand Bargain emphasizes the need to link cash payments with the provision of social protection: “Delivering cash should, where possible and appropriate, use, link or align with local and national aid organizations and donors to “Increase social protection systems” (Grand Bargain Document, 2016, p.6), and commits local systems and coping mechanisms in order to build resilience in fragile contexts” (Grand Bargain Document, 2016, p.14).

# Social protection's role in Building Resilience

1. Ensuring programs cover all the poor and vulnerable through *adequate benefits combining - cash, cash plus, and productive inclusion interventions*
2. Ensuring that *public works programs* build community asset that address key drivers of community-level vulnerability
3. Ensuring programs support to human capital accumulation for inter-generational adaptation through *increased opportunity*
4. *Strengthening programs* delivery systems to prepare for response such as;  
Registration processes, beneficiary databases, payment mechanisms, and M&E

# Nepal context: Opportunities & Challenges

- A *large portfolio of SP programs* (cash transfers, public works, scholarships, school meals, health subsidies, etc.) yet *shock response mechanism is not systemically linked to SP*.
- High exposure to shocks
- SP programs and systems are not adaptive/shock responsive

तालिका ३.१: सामाजिक सुरक्षामा राष्ट्रिय बजेटको विनियोजन र खर्च

आ .व.	सामाजिक सुरक्षामा विनियोजन (रू. लाखमा)	कुल राष्ट्रिय बजेट (रू. लाखमा)	वृद्धि (प्रतिशत)
२०६६/६७	१०३८.२५	१३३६०४.६१	०.७८
२०६७/६८	४२६५.१८	२१९९६६१.९२	१.९४
२०६८/६९	७२५१.६७	२५९६८९.११	२.७९
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२०७७/७८	१८८७५३	१४७४६४०	१२.८

स्रोत: महालेखा नियन्त्रकको कार्यालय, वर्ष ।

# Nepal context: Opportunities & Challenges

## **1. Coverage: Mostly demographic and categorical targeting; all the poor and vulnerable are not covered**

- New SSA scheme for the economically poor – yet to be introduced and operationalized;
- PMEP has the potentiality to cover the working poor;
- All the eligible are not covered owing to field level implementation challenges.

## **2. Programs are not designed and planned to be scale up in the face of a disaster.**

## **3. Support delivery system and mechanisms are still nascent**

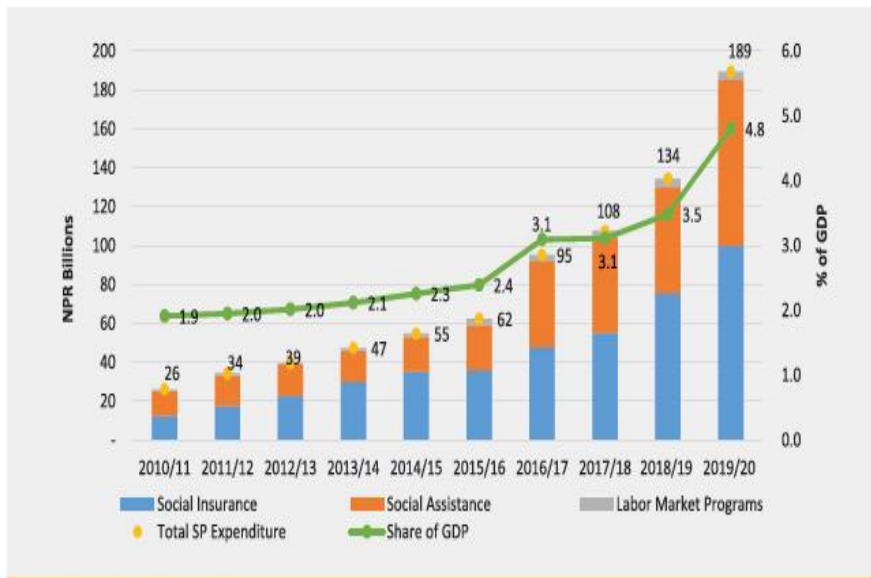
- Multiple, uncoordinated beneficiary databases and information systems;
- No integrated social registry until now;
- Payment systems are still being slowly developed.

# Nepal context: Opportunities & Challenges

## 4. Financing

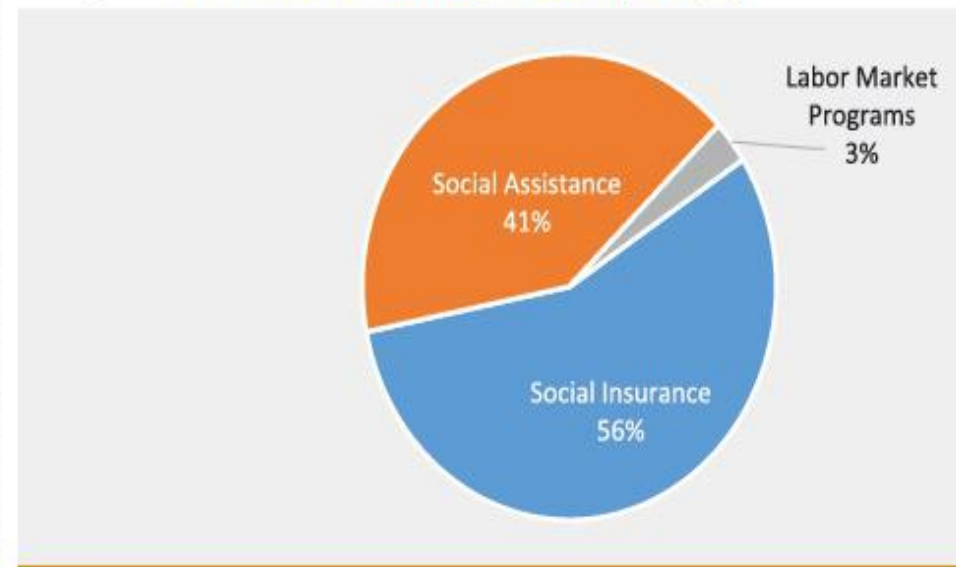
- Government spends a substantial amount on SP- about 3.9% of GDP in FY 2019 (*Estimated 4.8% of GDP for FY 2020*)
- Large share is spent on public sector pensions
- provision for contingent financing linked to SP programs is not clear

Figure 1: Social Protection Expenditures (Nominal and as Share of GDP) over the Last 10 Years



Source: Red Book, Ministry of Finance (MOF), various years

Figure 2: FY19 Social Protection Expenditure by Category



Source: Red Book, Ministry of Finance, 2020

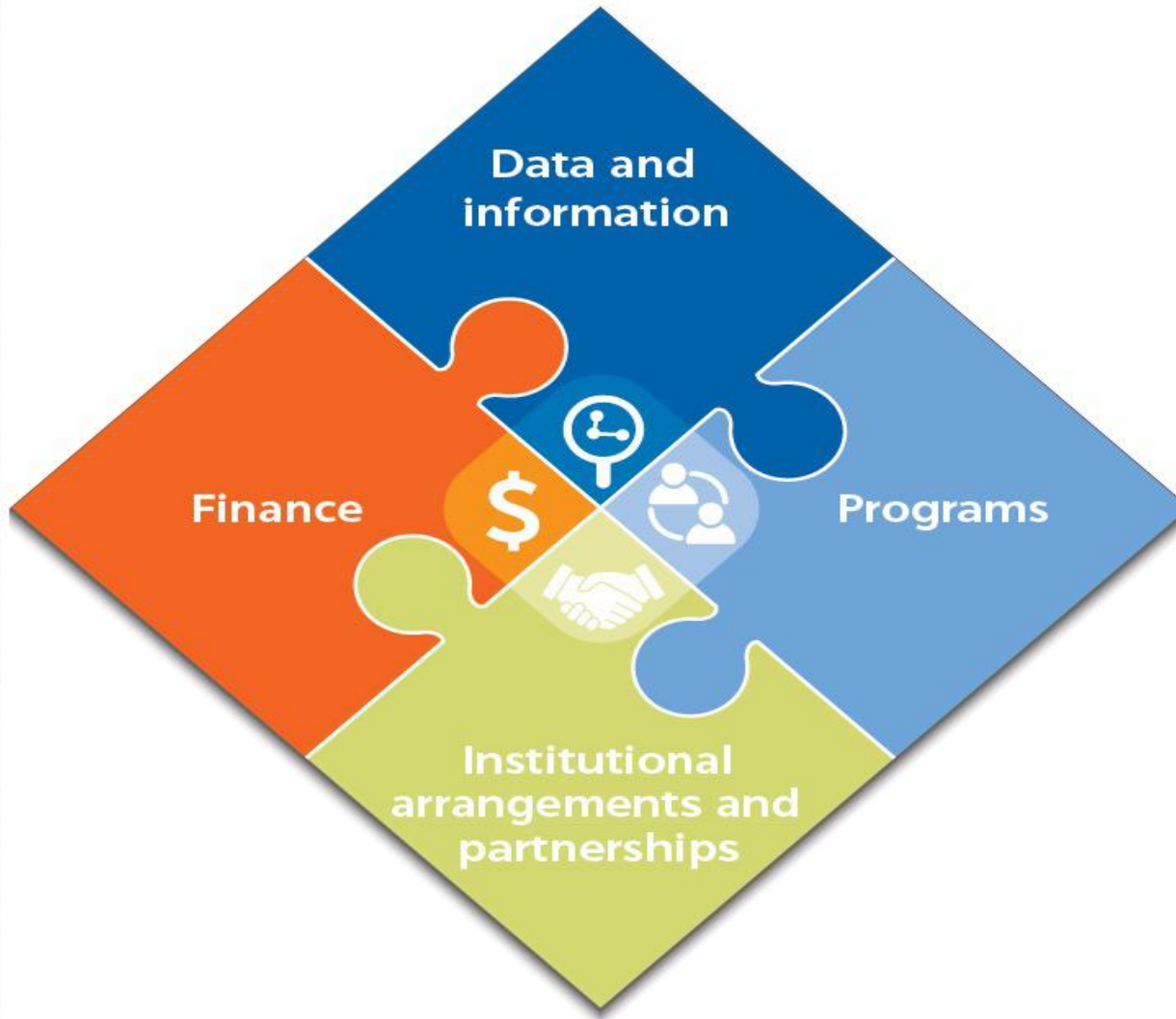


# Nepal context: Public Expenditure and Assessment of Social Assistance Programs

- The increase in expenditure since FY17 has been mainly due to the **increase in the size of the Social Security Allowance (SSA) program benefits and the increase in the benefit size of public pensions**. Assuming FY11 as the base year, real expenditure has also increased by over *three times over the 10 years*.
- *Social insurance*, composed mainly of public sector pensions, continues to constitute the largest share of social protection spending (*56 percent of the total*) followed by *social assistance at 41 percent of expenditure in FY19*.
- The Social Security Allowance (SSA) program is the largest *social assistance program with an expenditure of NPR 41.2 billion in FY19, which constituted 48 percent of total social assistance spending*.

# What next in Nepal?

Framework for adaptive social protection: Four building blocks



Source: World Bank.

# 1. Establishment of an adaptive information system to identify HHs vulnerable to shocks (Shock responsive information)

- Formulate a *policy framework with set milestone and indicators* to establish an adaptive/SR information system based on a social registry;
- Develop a national social registry of uniquely identified HHs and their members, that contains *demographic, socio-economic and spatial data, building* on existing data;
- Ensure *interoperability* between the *social registry and beneficiary databases of SP programs* by using of a unique ID;
- Further develop *early warning information systems* to inform *planning for early response/actions*. (MoHA/NDRRMA being the member of REAP)

## 2. Develop adaptive and risk informed programs that promote resilience, and has the scalability properties for response and recovery (Shock responsive programs)

- **Programs:** The newly designed programs must have the *properties of scalability* in the face of an emergency so that adjustment could be done immediately.
- **Household:** (Re)focus existing and new programs, including the PMEP and other, to *ensure the coverage* of the poorest and those individuals and households that are *most exposed to shocks*.
- **Community:** Design and implement public works programs to build/maintain assets for community resilience by integrating the programs with action plans for Climate change adaptation and other DRM activities.

## 2. Develop adaptive and risk informed programs that promote resilience, and has the scalability properties for response and recovery (Shock responsive programs

- **Supporting Response**

- Add provisions in guidelines of social protection programs, such as that of SSA, to allow for temporary scaling up of programs, to complement humanitarian response.
- Define rules for *horizontal and vertical expansion* and *establishing mechanisms to trigger scaling-up*, for example by *linking to early warning system*.

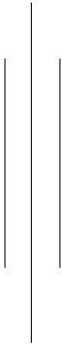
### 3. Develop adaptive financing mechanisms for ensuring timely response (Shock responsive finance or Risk financing)

- Enable the use of social protection systems including social registry and payment systems, to deliver relief to individuals and households affected by shocks.
- Establish *contingency financing* for disaster response at all levels of government, as provided for in the DRRM Act, and
- Develop a long-term *disaster risk financing strategy* with a mix of instruments, including *contingency budgeting*, *contingent credit lines*, such as the *catastrophe-deferred drawdown option*, and *risk transfer products*, such as insurance. ( Addressed in National DRF Strategy 2078, 8.12)

# 3. Develop adaptive financing mechanisms for ensuring timely response (Shock responsive finance or Risk financing)

विपद् जोखिमका लागि वित्तीय व्यवस्थापन राष्ट्रिय रणनीति, २०७८

(कार्यकारी समितिबाट स्वीकृत मिति: २०७८/०३/०२)



नेपाल सरकार  
गृह मन्त्रालय  
राष्ट्रिय विपद् जोखिम न्यूनीकरण तथा व्यवस्थापन प्राधिकरण  
काठमाण्डौ ।

८.१२ भुकम्प, बाढी तथा महामारी जस्ता ठूला विपद्बाट प्रभावितहरूको खोज, उद्धार, राहत, पुनःप्राप्ती, पुनःस्थापना, पुनःनिर्माण र पुनर्लाभ का लागि जोखिम हस्तान्तरण पद्धतिको विकास र विपद्को सामना गर्न आवश्यक पुर्वव्यवस्थित वित्तीय संयन्त्रहरू (Pre-arranged Financing Mechanisms) जस्तै संचित कोष (प्रधानमन्त्री दैवी प्रकोप उद्धार कोष, केन्द्रिय विपद् व्यवस्थापन कोष, प्रदेश विपद् व्यवस्थापन कोष, जिल्ला विपद् व्यवस्थापन कोष र स्थानीय विपद् व्यवस्थापन कोष), Catastrophe Bond, आकस्मिक ऋण (Contingent Credit), Insurance Linked Securities, बीमा जस्ता संयन्त्रहरूको स्थापना र परिचालन गर्ने अभ्यास गराइनेछ साथै निजी क्षेत्र र अन्तराष्ट्रिय निकायको संलग्नतामा Catastrophe Bond जारी गर्ने व्यवस्था गरिनेछ ।

## World Bank and Nepal Partner to Strengthen Climate and Disaster Risk Response

KATHMANDU, March 30, 2020 – The Ministry of Finance signed a \$50 million (NPR 6 billion) financing agreement with the World Bank on March 27 for a contingent financing that can be availed in the case of a natural disaster or health emergency in the country. This operation aims to enhance the government capacity to manage the risk of climate change and natural disasters including disease outbreaks.

The agreement on the Development Policy Financing with a Catastrophe Deferred Drawdown Option (Cat DDO) was signed by Mr. Sishir Kumar Dhungana, Secretary, Ministry of Finance and Mr. Faris H. Hadad-Zervos, World Bank Country Manager for Nepal.

## 4. Establish robust institutional links between disaster risk management and social protection (Institutional coordination)

- Ensure that the provisions in the DRRM Act and regulations are realized to:-
  - Implement special programs for vulnerable population, and
  - Post-disaster assistance to address impacts of disasters on livelihoods and not simply impacts on housing or assets
- Ensure that the National Disaster Risk Reduction and Management Authority has a separate cell or unit for social protection to facilitate the above.
- All the agencies work in a coordinated way to deliver the scattered SP programs across many ministries and departments.  
(Finance, programs, MIS to ensure the timely and hassle-free delivery of the programs)



## Way forward and the final note

- Since, the existing policy has not recognized the SRSP approach until now, unless federal government formulates or reconstructs the existing policies to move forward incorporating SP with DRR. (*National DRR Policy 2018: 7.38 for SP & 7.42 Forecast based preparedness and response plan*)
- SP policy Framework with clear milestone and indicators allowing SR.

*“Shock-responsive social protection or cash in emergency does not mean it will be sufficient to meet the needs of all households who need assistance.*

*coordination with other interventions is essential.”*

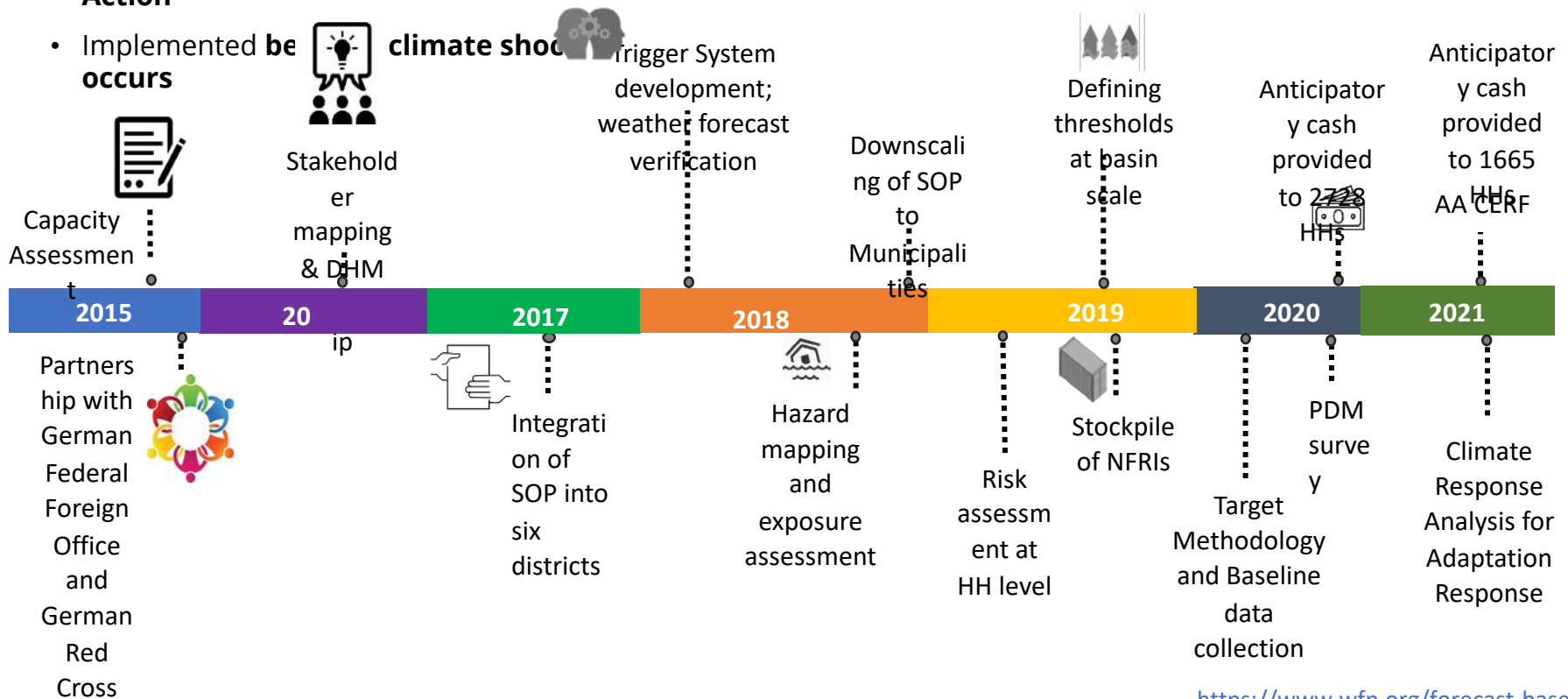
# Forecast-based Anticipatory Action in Nepal (FbAA)

## What is it?

- An innovative mechanism activated when a forecast meets pre-defined levels, through a **pre-agreed trigger system**
- **Risk-based** geographical and household-level **targeting**
- Scope of activities defined in a **Standard Operating Procedures for Anticipatory Action**
- Implemented **before a climate shock occurs**

Since 2015, WFP has been advancing FbAA approach in Nepal, focusing on:

- Advancing science-base
- Institutional set up
- Policy inclusion
- Evidence generation



# Prerequisites for AA: Science, Institutional Setup, Policy Inclusion

## Science-base

2-stage trigger system combines global and local products

### Risk-based targeting:

Household risk assessment and flood inundation modelling

2-stage targeting approach: geographical and household

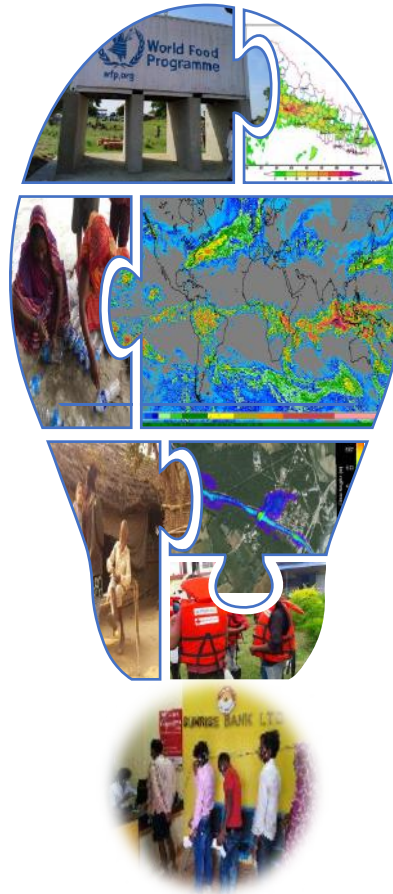
Risk assessment jointly with LGs: pre-identified districts

Household survey across 11 (14,749 hh surveyed) flood prone districts in Terai to assess risk at household level; assessing exposure, vulnerability & adaptive capacity to floods were considered for the risk assessment

## Dialogue Platforms on Anticipatory Action

1st National and Local

Dialogue Platforms on Anticipatory Action (Jhapa, Sunsari, Saptari, Banke, Bardiya and Kailali)



## Policy Inclusion

National Disaster Risk Reduction Policy (2018)

National Disaster Preparedness and Response Plan Guidelines, revised 2019

Local level cash guidelines

## Standard Operating Procedures

Joint formulation with DRR stakeholders

Integrated in Disaster Preparedness and Response Plan across 19 districts of flood-prone Terai belt

## Local-level Preparedness and Capacity Strengthening

Search & Rescue and First Aid trainings, simulations

8 Local Emergency Operation Centres ; 5 community-owned warehouse containers

Joint Risk Assessment

# Anticipatory Action in 2021

## Key Figures



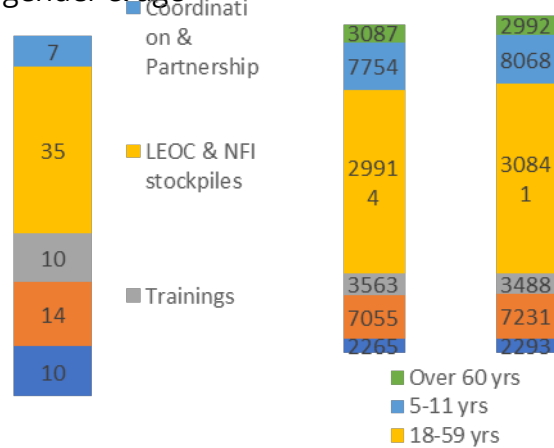
26,742 HHs  
Pre-registered



USD 188,361.5  
(1665 HHs)  
Cash transfers  
disbursed

## Operation Profile

By Activity-wise investment (%)  
gender & age



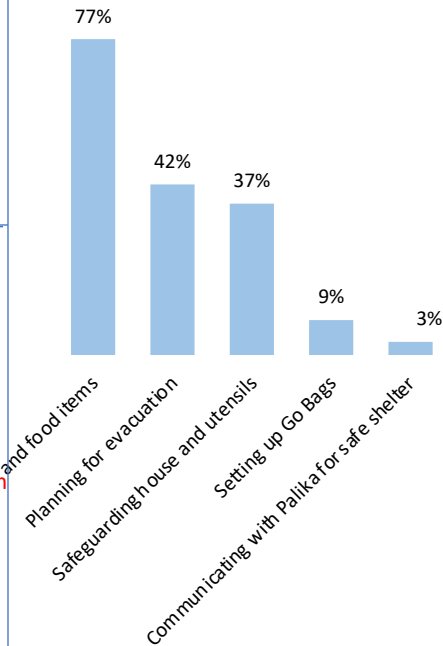
By



## Funding

May - Dec  
2021  
**GFFO USD  
0.38 m**  
Aug - Sept  
2021  
**CERF USD  
3.9 m**

Use of anticipatory cash assistance by beneficiary households



Province	District	Municipality
Koshi	1 Jhapa	Gauriganj
	1 Jhapa	Jhapa
	1 Jhapa	Shivasataxi
	1 Jhapa	Kankai
	1 Sunsari	Barahkshetra
	1 Sunsari	Koshi
	1 Sunsari	Bhokraha Narsingh
	1 Sunsari	Inaruwa
	1 Sunsari	Harinagar
Madhesh	Saptari	Kankalini
	Saptari	Tirahut
	Saptari	Mahadewa
Lumbini	Banke	Narainapur
	Banke	Duduwa
Lumbini	Bardiya	Rajapur
	Bardiya	Geruwa
	Bardiya	Bansgadhi
SudurPashchim	Kailashapur	

GFFO  
 CERF



**Thank You**