

»» Adaptive social protection – getting social protection systems in shape for crisis response

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Social protection systems are intended to help people safeguard against risks that pose an existential threat, such as sickness, unemployment, disability or death.

In the past, individuals were typically affected unexpectedly, individually and independently from each other to a large extent, so it was easy to balance these risks using "risk pooling" within the framework of social protection systems.

Increasing frequency of covariate shocks threatens the stability of social protection systems

However, in recent times, risk constellations that have the potential to affect many people at the same time are becoming more and more frequent (so-called "covariate shocks"). Typical examples are extreme weather events (such as storms, droughts and floods), natural disasters (like earthquakes or volcanic eruptions) and economic and political crises (such as civil wars, banking crises) or pandemics with associated aftereffects, also for classic risks like sickness, unemployment, disability and death.

This presents enormous challenges for established social protection systems in most countries: they are usually not equipped to handle the simultaneous occurrence of risks to a large number of people and are thus often threatened by collapse if there is a crisis. Developing countries are particularly affected by this, not only because the probability of occurrence is higher for many systemic and systematic risks, but also because, overall, they are often still in relatively weak institutional and financial situations. So in the event of a crisis, they can barely absorb additional risks.

Underlying idea: integration of social protection, crisis resilience and disaster risk management

The underlying idea behind adaptive social protection is that, from the start, social protection systems should be organised or further developed in such a way that they cannot only absorb independent individual risks, but also the economic impacts of covariate shocks (crises and natural disasters) and be integrated into a comprehensive system for disaster risk management (with preventative and mitigating measures).

Important elements of an adaptive social protection system

A substantial system overhaul is required to get existing social protection systems in shape for these challenges. In particular, the following specific measures may be necessary:

- significant increase of capacity for financial risk absorption for cushioning covariate shocks (e.g. using governmental risk funds, reinsurance policies, etc.)
- increasing the flexibility of performance if a risk event occurs (e.g. higher or longer disbursements in the event of a crisis via the public social protection system)
- expansion of the system for the most extensive coverage possible, particularly in vulnerable regions
- integration of innovative hedging instruments (e.g. government-funded drought insurance policies)
- development of early warning systems so that measures can be initiated at the earliest possible stage during a crisis

- qualification and use of decentralised implementation structures (or improved coordination with local government authorities) with regard to
 - implementation of informational and preventative measures
 - coordinating measures in the event of a crisis (registering victims, determining damage and need)
 - if necessary, also support for acute aid measures in the event of a crisis.

High degree of economic efficiency and sustainability by strengthening local risk-bearing capacity

The further development of social protection systems to strengthen crisis resilience and its integration into a comprehensive disaster risk management system are urgent development policy tasks in light of the increasing frequency of covariate shocks. As opposed to the isolated expansion of relevant systems, better coordination with or joint use of implementation structures and strengthening preventative measures instead of post hoc emergency measures can lead to substantial economic synergies and cost savings. And in the event of a crisis, it may be possible to implement aid measures more quickly and efficiently using sustainable local structures rather than setting up temporary parallel structures for each new crisis. Nevertheless, this expansion poses enormous challenges for many developing countries. Only a few countries will be able to manage this step without extensive external support. ■