Financing Adaptive Social Protection
Financial Tools and Approaches for Adaptive Safety Nets

Barry Maher
Snr Financial Sector Specialist
World Bank
INVESTING IN A MORE ADAPTIVE SOCIAL PROTECTION SYSTEM
Three building blocks

DEFINING INSTITUTIONAL ARRANGEMENTS
Within and across government
With non-government partners

The Adaptive Roadmap

GOVERNMENT LEADERSHIP

ADAPTIVE INFORMATION
ADAPTIVE PROGRAMS
ADAPTIVE FINANCE

INTERNAL

EXTERNAL
Core Principles of Finance Adaptive Social Protection
Core Principle 1

Financing should be in place before the event of a crisis to rapidly mobilize and disburse funds
Core Principle 2

How money reaches beneficiaries is as important as where it comes from.
Core Principle 3

To Make Sound Financial Decisions you need to have the right information
Core Principle 4: Disaster Risk Layering

Effective financing strategies include multiple financial instruments

<table>
<thead>
<tr>
<th>Hazard Type</th>
<th>Instruments</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Frequency/High Severity</td>
<td>Market-Based Instruments</td>
<td>Can provide liquidity to respond, e.g. paramedic insurance</td>
</tr>
<tr>
<td></td>
<td>Contingent Financing</td>
<td>Lines of credit can be large, but not earmarked (e.g. CAT DDO)</td>
</tr>
<tr>
<td>High Frequency/Low Severity</td>
<td>Budgetary Instruments</td>
<td>Designated financing, general contingency budgets, or resources diverted from other programs</td>
</tr>
</tbody>
</table>

THREE-TIERED RISK LAYERING STRATEGY FOR GOVERNMENT

Source: SOVEREIGN CLIMATE AND DISASTER RISK POOLING World Bank Technical Contribution to the G20
### Performance

- Examples financial instrument used to finance adaptive social protection

<table>
<thead>
<tr>
<th></th>
<th>Reserve fund</th>
<th>Contingent Credit</th>
<th>Risk Transfer</th>
<th>Budget reallocation</th>
<th>Donor Finance</th>
<th>Humanitarian resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Uganda</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>✔</td>
<td>□</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ethiopia</strong></td>
<td>✔</td>
<td>□</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>✔</td>
<td>□</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Philippines</strong></td>
<td>✔</td>
<td>□</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Overarching issues

Gender

Humanitarian Coordination
Challenges & Opportunities

Challenges
- Many actors
- $ Risk Mgt

Opportunities
- First movers
- Awareness
- Fin. Products
- Evidence
- Coordination
- Initiatives
Financing Adaptive Social Protection

Financial Tools and Approaches for Adaptive Safety Nets