Executive Education on DRF for Indonesia

_SESSION: DRF for Adaptive Social Protection

Ekki Syamsulhakim
Social Protection helps individuals and societies manage risk across the life cycle and protects them from poverty and destitution.

What is Social Protection?

Preventive Function
Through contributory Social Insurance

Resilience for the vulnerable, insuring against impacts of different shocks

Protective Function
Through non-contributory social assistance

Equity for the poor, preventing against dire poverty and loss of human capital

Opportunity for all- promoting human capital and a access to productive work

Promotive Function
Through active labour market programs
Social Protection has been an important contributor to poverty reduction globally.
### Social Protection in Indonesia

#### PROTECTION
**(Regular Social Assistance)**
- PKH conditional cash transfer for poor households
- BPNT/Sembako Food Assistance for poor households
- PIP cash transfer for poor and vulnerable students
- PBI-JKN subsidized health insurance
- BLT-Dana Desa Village Fund unconditional cash transfer
- RS-Rutilahu cash transfer for social rehabilitation of uninhabitable houses (MoSA)
  - PKT cash-for-work

#### PROTECTION
**(Emergency Social Assistance)**
- Compensation for heirs of disaster victims
- Jadup Living Support Allowance cash transfer for disaster victims
- Housing Stimulus Assistance cash transfer (MoPHW)
- Huntara assistance for temporary shelter (BNPB)
- Huntap assistance for permanent housing (BNPB)

#### PREVENTION
- JP old age pension
- JHT old age savings
- JKN national health insurance
- JKP job loss guarantee unemployment insurance
- JKK work-related accident insurance
- JKM death benefit

#### PROMOTION
- Kartu Prakerja

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*Connecting Adaptive Social Protection and Disaster Risk Finance*
Why Adaptive Social Protection?
The poor are disproportionately impacted by shocks, and millions of people to fall into poverty each year from regularly occurring shocks like floods and drought.

![Graph showing percent of poor and nonpoor affected by natural hazards, selected countries](image)

![Bar chart showing average annual number of people falling into poverty (thousands)](image)
Poverty Impacts of Shocks in Indonesia

- One in ten Indonesians were vulnerable to falling into poverty due to covariate shocks. (Ali and Setiawan, 2022)

- Over 110 million people in approximately 60 Indonesian cities are exposed to negative impacts of climate change (World Bank 2019).

- Indonesia is among the 10 countries with the highest number of poor people exposed to floods (Hallegatte et al. 2017)

- Of the 76 million flood-exposed people in Indonesia, 40 million live in poverty on less than US$5.50 per day (14.3 percent of the population).

In Indonesia
11.4 million rural households and 6.6 million urban households will likely need Social Protection support in an average crisis

Ali and Setiawan
World Bank, 2022.
Adaptive Social Protection Goals

1. Support people's capacity to prepare, before the shock
2. Support people's capacity to cope during and after the shock
3. Continuously support people's capacity to adapt, investing in ways to reduce exposure

Source: World Bank

Connecting Adaptive Social Protection and Disaster Risk Finance
ASP Response Options

It is important to ensure data availability to inform rapid scale-up to non-beneficiary affected households.

Social Registry (Intended & potentially eligible population)

Beneficiaries Registries (existing beneficiaries)

National Population

Benefit amount

Vertical Expansion
Temporarily increasing the benefit size of regular SP payments

Regular benefit(s) amount

Horizontal Expansion
Temporarily including non-beneficiary affected households in SP programs

Parameter sistem PS regular

Core beneficiaries of SP system

Emergency Assistance
Providing temporary emergency transfers to the affected population

Those not in receipt of regular benefits, but affected by a shock

Connecting Adaptive Social Protection and Disaster Risk Finance
ASP helps households recover better and faster

**Indonesia - Central Sulawesi Disaster 2018:** A Welfare Tracking Survey after the disaster found that those who received government and NGO assistance were more likely to demonstrate faster, long-term employment and welfare recovery. (World Bank, 2020)

**Fiji - Tropical Storm Winston 2016:** Cash transfers provided to social assistance beneficiaries (vertical expansion through an additional three months of regular transfers) and vouchers to low-income households whose homes were damaged or destroyed. An impact evaluation found that beneficiaries who were given the top-up were more likely recover from the shock compared to similar households that did not receive the additional assistance. (World Bank, 2017)
ASP
Building Blocks

Institutions and Partnership

Data and Information

Programs and Delivery Systems

Finance

Connecting Adaptive Social Protection and Disaster Risk Finance
<table>
<thead>
<tr>
<th>Programs and Delivery Systems</th>
<th>Data and Information</th>
<th>Institutions and Partnerships</th>
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<tbody>
<tr>
<td><strong>Expand regular SP coverage</strong> to include poor households not covered</td>
<td>Integrate poverty and vulnerability data with disaster risk data to better understand household vulnerability</td>
<td>Firmly establish <strong>Government leadership</strong> on the ASP agenda</td>
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<td><strong>Make SP programs risked informed</strong> and ready to respond when needed</td>
<td>Expand social registry coverage and frequent updating – particularly in high poverty and high-risk areas</td>
<td>Ensure policy coherence and <strong>cross-sector collaboration</strong>, particularly across SP, DRM and climate change actors</td>
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<td><strong>Strengthen SP delivery systems (payment systems, registries etc.)</strong> to support rapid and effective response, appropriate to varied shocks</td>
<td>Link SP systems to early warning systems, to predict needs and promote timely action based on predefined triggers</td>
<td>Invest in <strong>stronger human, financial, and physical capacity</strong> required for ASP delivery</td>
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<tr>
<td><strong>Use SP programs to build resilience</strong> and adaptive capacity of beneficiaries</td>
<td>Improve capacity to conduct post-shock household assessments to better understand household needs and to inform responses.</td>
<td>Define national and nongovernment roles and <strong>responsibilities</strong>, building on comparative advantages in design and delivery, and supported by strong coordination and partnership</td>
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Spotlight on Finance

Why DRF for ASP is important for Indonesia

11. 4 million rural households and 6.6 million urban households will likely need social protection support in an average crisis in Indonesia. Ali and Setiawan (2022)

In past disasters, ensuring assistance was provided quickly has also been a challenge. After the Central Sulawesi Earthquake, Tsunami and Liquefaction in 2018, Compensation for Heirs and Jadup (Living Support) assistance were received ~8-12 months after the disaster; while households eligible for house repair compensation waited ~20 months (Purnamasari et al. 2021). Regular payments for programs like PKH were also slightly delayed.

To provide social assistance to households affected disasters, governments must have ex-ante disaster risk finance (DRF) solutions in place to help facilitate rapid, targeted, and efficient post-disaster response.

It is also critical to ensure that financing can be distributed quickly, to the agencies responsible for providing assistance and then to beneficiaries and affected households, and that the right benefits, appropriate to needs, are provided.
Core Principles for Linking ASP to DRF

01 Timeliness of funding:
Funds are available quickly when—and only when—they are required.

02 How money reaches beneficiaries:
Led by the Government and its policy priorities. Partners are bound to pre-agreed objectives, decision processes, and implementation modalities.

03 No single financial instrument:
Using a combination of instruments makes SRSNs more transparent, and predictable.

04 Have the right information:
Data plays an important role in the design of the ASP delivery mechanisms.

Connecting Adaptive Social Protection and Disaster Risk Finance
Getting Started:
6 steps for establishing effective Disaster Risk Finance for ASP Responses
Six Steps
Towards Strengthening Financial Resilience

01. Develop a risk profile
02. Decide on policy priorities
03. Design the scalability mechanism
04. Estimate the cost of the scalability mechanism
05. Finalize the mechanism rules and devise a DRF strategy to support costs
06. Monitoring and evaluation

Connecting Adaptive Social Protection and Disaster Risk Finance
Develop a risk profile to determine the possible impacts of shocks on poor and shock-vulnerable households

The risk profile helps determine the financial impact of shocks (poverty impacts and other financial burdens) on affected households, using data from several sources:

- Household Survey Data
- Data on historical disaster response costs from government
- Data on historical disaster responses from development partners and humanitarian orgs.
- Data on hazard events
- Data on the geographical footprint of existing safety nets
- Post-Disaster Assessments (PDNAs and PDHAs) and other post-disaster analyses
Step 2

Decide on Policy Priorities

Policy: Financial Protection Strategy & Action Plan

What do I want to do/are my overall goals?

Who do I want to be protected?

Identify and prioritize beneficiaries

Assess Risks

Identify and prioritize financial impact and underlying problems driving this impact

Who will pay and how?

Identify source of funds

Arrange Financial Solutions

How will the funds reach the beneficiaries?

Identify delivery channels

Deliver Funds to Beneficiaries

How can I implement these policy decisions?

Identify necessary human, technical, financial resources and partnerships

Implementation

Who will pay and how?

How will I go about achieving these development goals?

Why do I want to do this?

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Step 3

Design the intervention’s scalability mechanism, including what triggers will determine scale-up, which households will be covered, and what level of aid they will receive.

- Type of monitoring to conduct (e.g., ongoing, periodic, seasonal)
- How will the scale-up process unfold once triggered, including all delivery processes from beneficiary identification, payment, and M&E. evaluation.
- Type of data to use in devising the trigger for the ASP mechanism, and what trigger threshold will prompt scale-up (disbursement of financing and payments to affected households).
- Geographical area a scale-up is intended to cover, and through what administrative unit, including whether support will be provided to all affected households; affected poor households; households with significant impacts only etc.
Step 3 continued

Key questions for designing the scalability mechanism

- What major shocks are likely to affect the target population?
- How frequently do these shocks occur?
- For each risk, can its scale and magnitude be quantified?
- Which areas of the country or parts of the population are most likely to be affected?
- What response is required to enable the identified populations to cope in or overcome the immediate impacts?
- How long will this assistance be required?
Step 4

Estimate the costs of the scalability mechanism to determine how far (constrained) resources will go.

Modeling tools are needed and must be developed to determine the costs of ASP responses under different scenarios.

The model used should ideally be stochastic, capable of generating 10,000 years of simulations for the cost of the scalability mechanism.

These simulations would then create a distribution, which could inform the country of both the cost on average and the cost for more extreme events, such as a 1-in-50-year shock.
Step 5

Finalize the mechanism rules and devise a Disaster Risk Financing strategy, that includes asp policy responses, to support costs and ensure immediate action for future shocks.

Note!
It is also important to reduce budgetary bottlenecks to ensure efficient disbursement to program agencies and more importantly, to beneficiaries and affected households.
Step 6

Conduct monitoring and evaluation to understand how this mechanism, and others like it, can be improved.
DRF for ASP in Action - Kenya’s Hunger Safety Net Program (HNSP)

Risk Profiling: Using twice yearly post-rains assessment and past historical data and information they estimated that:

- 77% percent of the population needed support for high-magnitude drought, and
- 50% percent of households in the affected areas would need food aid

Establishing an ASP Trigger: In times of drought, the National Drought Management Agency monitors drought conditions via the Vegetation Condition Index (VCI). When the triggered drought conditions in the VCI are met, cash transfers are automatically paid the next month. The duration of the transfer is directly linked to the VCI data.

Prepositioning for Rapid ASP Response. The HSNP registered almost all households in four high-risk counties—nearly 300,000 hhs—and pre-enrolled them, including giving them bank accounts into which post-shock payments can be deposited.
### DRF for ASP in Action: Kenya’s HNSP cont’d

**Source:** World Bank, 2021

<table>
<thead>
<tr>
<th>Geographic Location</th>
<th>Trigger Vegetation Condition Index (VCI)</th>
<th>Drought Phase Equivalent</th>
<th>Maximum Coverage of HHs to receive CT</th>
<th>Amount of Transfer</th>
<th>Frequency</th>
<th>Duration of Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-County</td>
<td>≥50 and 35 to 50</td>
<td>1 Normal</td>
<td>Routine HSNP HHs</td>
<td>Standard payment</td>
<td>Every 2 months</td>
<td>On-going</td>
</tr>
<tr>
<td></td>
<td>Moderate Drought</td>
<td>2 Alert</td>
<td>HHs beyond routine % only if another Sub-County in the County has hit the severe or extreme VCI threshold</td>
<td>Emergency payment</td>
<td>Every month</td>
<td>For each month VCI at severe drought status</td>
</tr>
<tr>
<td></td>
<td>20 to 30</td>
<td>2 Alert</td>
<td>Routine HSNP HHs</td>
<td>Standard payment</td>
<td>Every 2 months</td>
<td>On-going</td>
</tr>
<tr>
<td></td>
<td>Severe Drought</td>
<td>3 Alarm</td>
<td>HHs beyond routine up to approximately 50%* Coverage in each Sub-County</td>
<td>Emergency payment</td>
<td>Every month</td>
<td>For each month VCI at severe drought status</td>
</tr>
<tr>
<td></td>
<td>10 to 20</td>
<td>3 Alarm</td>
<td>Routine HSNP HHs</td>
<td>Standard payment</td>
<td>Every 2 months</td>
<td>On-going</td>
</tr>
<tr>
<td></td>
<td>Extreme Drought</td>
<td>4 Emergency</td>
<td>HHs beyond routine up to 75% Coverage in each Sub- Location</td>
<td>Emergency payment</td>
<td>Every month</td>
<td>For each month VCI at severe drought status</td>
</tr>
</tbody>
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*DRF for ASP in Action: Kenya’s HNSP cont’d Scalability Framework*
Strengthening Resilience: Adaptive Social Protection in Malawi

**Overview:** The Government of Malawi implemented a scalable mechanism in its Social Cash Transfer Program to respond rapidly to climate shocks, supported by the WB’s Social Support for Resilient Livelihoods project.

**Mechanism Design:**
- Initially targeted three districts, expanding to six, with a long-term goal for nationwide coverage.
- Dual approach using satellite data for rainfall monitoring and food insecurity conditions to initiate cash transfers before lean season.
- **Parameters:** Decisions on coverage extent, trigger events, assistance amount, and duration established to optimize cost-effectiveness.

**Financing:** Contingency fund and risk transfer instruments.

**Capacity Building:** Task force with relevant ministry officials established to develop scalable DRF mechanism. WB created specialized learning roadmap for task force. Post-design, officials from Department of Climate Change and Meteorological Services received training on monitoring mechanism’s triggers using satellite rainfall data, indicating the sustainability of the project.

**First Year Results:** a) Triggered scale-ups in Ntcheu, Thyolo, and Blantyre due to drought conditions; b) Effective use of pre-agreed rules and financing instruments facilitated rapid response and fund disbursement.
DRF for ASP in Action
Dominican Republic Mapping Vulnerability

Risk Profiling - Dominican Republic’s developed a Climate Change Vulnerability Index (IVACC in Spanish)

IVACC assesses vulnerability to hurricanes, storms, and floods at the household level.

IVACC uses data from the SIUBEN social registry on house features; monthly per capita household income; and cross references this with hazard maps to estimate household proximity to hazard prone areas.

IVACC scores range from 0 (least vulnerable) to 1 (most vulnerable).

This provides Government with ready data on who will need support when a hurricane, storm, or flood is likely to occur in a location.

Household head: Altagracia Martínez
½ km to 1 km from river; 2 children, Spouse; Cement roofing, concrete block wall
IVACC: 0.524

Household head: Juan Pérez
½ km from river; 6 children, Spouse; Zinc roof, palm tree wall
IVACC: 0.853

Household head: María Gómez
½ km from river; 2 children, 1 elderly, Zinc roof, concrete wall
IVACC: 0.757
DRF for ASP in Action

Mexico’s Natural Disasters Fund (FONDEN)


Funding Sources: Federal budget and market-based risk transfer instruments viz insurance and CAT (catastrophe) bonds. Law mandated that FONDEN and associated accounts must receive a minimum of 0.4% of the annual federal budget (approximately US$800 million yearly) and that if funds were not sufficient, they should be transferred from other sources, such as oil revenue surpluses.

Trigger and Process: Declaration of a disaster (immediate transfer to states and agencies affected); damage and loss assessments; submission of additional funding requests; review; transfer of resources.

Eligible Activities: Reconstruction projects, low-income housing; public infrastructure, environmental projects etc. – all within the framework of building back better.

Links to Social Protection: Linked to the previous emergency Temporary Employment Program (PETi), a cash for work program that provided cash transfers to eligible individuals whose livelihoods were affected by disasters. The works were generally community projects in marginalized/affected areas.

Impact: From 2000-2010, PET reached approximately 3.2 million beneficiaries. In 2010, approximately US$89 million was disbursed on 12,694 community projects that benefited more than 468,000 people.
**DRF for ASP in Action**

**Connecting DRF and ASP Strategy in Tonga**

**Tonga’s Disaster Risk Financing (DRF) Strategy 2021-2025:** The objective of the strategy is to “provide strategic guidance and direction for the Government of Tonga and its institutions to reduce the economic and fiscal effect of disasters by combining instruments that address various identified risks.”

**Priorities**

01 Identify and quantify disaster-related economic and financial risks;

02 Review the portfolio of risk financing instruments annually to ensure they meet government objectives cost-effectively;

03 Assess options to transfer risk to private sector and strengthen domestic insurance markets;

04 Strengthen disaster-related public financial management;

05 Develop Adaptive Social Protection;

06 Develop national DRM policy frameworks and plans, and invest in DRR priorities to mitigate and minimize the effect of future shocks.

**Scope of Priority 5 on ASP:**

Set program rules for when ASP programs, including trigger conditions; determine program eligibility, benefit amounts, and duration; and plan the costs of ASP programs.

**ASP Strategy Actions:**

- Establish an institutional coordination mechanism with government, key humanitarian agencies and donors.
- Carry out assessment of cost implications for ASP options
- Design Standard Operations Procedures (SOPs) for ASP programs – including adjustments to regular programs in times of emergencies.
- Enhance existing management information system for ASP programs, including social registry.
DRF for ASP in Action

The Benefit of DRF for ASP in Ethiopia

Leveraging DRF to respond to drought affected households with ASP, and doing so quickly, resulted in savings.

The timeliness of funding that was made available to respond to the drought created savings of over $6 million.

The longer-term economic cost of responding later could have been $47.9 million.

Source: Cabot Venton and Sida, 2017
ASP Priorities for Indonesia

A recently completed ASP Stress Test for Indonesia identified priority actions which would help inform smooth and rapid financing of SP shock responses, but would also need to be supported by robust financing arrangements. These include, inter-alia:

- Close lingering social protection coverage gaps to provide social assistance to poor and vulnerable households that do not receive it.

- Improve the use of social registry systems for shock response – including cross-referencing with hazard risk information, using it as a source for identifying households to receive emergency support etc.

- Develop an integrated tool linked to Early Warning Systems (EWS) data to quantify post-shock social protection needs and estimate optimal post-shock benefit levels.

- Establish an integrated post-disaster household assessment (PDHA), with interoperability mechanisms to share data across agencies to inform multi-sector shock responses.

- Facilitate broader choice to select appropriate payment mechanisms tailored to shock contexts.

- Define post-shock operational processes for identification, enrollment, payment processes, program conditions, and other adaptations to program design; and ensure these are clearly communicated to implementers, beneficiaries, and the public.
Useful Resources


Adaptive Social Protection: Building Resilience to Shocks - World Bank 2020

Emerging Lessons in Financing Adaptive Social Protection - World Bank 2021


Integrating Information Education and Communication Tools to Strengthen Disaster Preparedness and Resilience Among Social Assistance Beneficiaries: Lessons for Indonesia and Beyond - World Bank 2022

Investing in People: Social Protection for Indonesia's 2045 Vision - World Bank 2020


Social Protection and Humanitarian Assistance Nexus for Disaster Response: Lessons Learnt from Fiji - World Bank 2017

Welfare Tracking in the Aftermath of Crisis: The Central Sulawesi Disaster Response - World Bank 2021
Thank You