

# **Designing a safety net strategy for risk and vulnerability reduction**

A training exercise for the course on:  
Design and implementation of effective Safety Nets  
December 2002

## **INTRODUCTION**

While policies that promote economic growth are central to poverty reduction, social protection (SP) measures have a role to play in reducing the vulnerability, and protecting the welfare of the poor. Choosing the appropriate mix of social protection programs and policies to best contribute to poverty reduction requires a careful approach. A range of policy reforms, programs, and delivery mechanisms - from changes in labor law to provision of public works programs, from public to private mechanisms - may need to be introduced, modified, or strengthened to improve the poverty impact of social protection measures.

To illustrate how the mix of interventions selected applies to a specific country, we have developed a simple exercise. In this exercise, we have created a set of background information for a fictitious poor developing country. Then, we have assigned to a team of experts (selected among the group of participants) a set of specific tasks dealing with the evaluation of the existing mix of social safety net programs and the proposition of a better set of programs.

## **GENERAL ASSIGNMENT**

You have been asked by the director in your unit at the World Bank to lead a team of experts to evaluate the current social protection policy in Safety Haven (SH) and to make some concrete suggestions on how to improve the system.

You have heard that there are many poor and vulnerable people that are not covered by any program, even though the current system is costing the administration \$14 million, over 1% of local GDP and 7 percent of discretionary budget expenditure.

You are also concerned that your recommendations will be harshly criticized by government and special interest groups that do not want to lose their entitlements.

## **SPECIFIC TASKS**

1. Evaluate the programs available and the characteristics of the poor and vulnerable groups in SH.
  - a. Assess the effectiveness of each of the existing programs to protect the population from the sources of risks prevalent in SH.
  - b. Assess if the mix of programs currently available is adequate to protect the vulnerable population.
    - i. Are there any overlaps in coverage?
    - ii. Are some programs able to protect vulnerable households from more than one risk?
  - c. Determine if there are any groups of vulnerable individuals that are not covered by any of the programs available.
  
2. Present a plan for a new strategy of social safety nets that takes into account the assessments made when you answered the previous question. Under this new plan you may consider decreasing the coverage of some of the existing programs or eliminating them all together and you may want to propose adding some new programs to cover the uninsured. In doing so consider the following issues:
  - a. Are your proposals viable? Are they sustainable?
  - b. Can you target effectively special population groups?
  - c. Provide a rough estimate of the expected coverage and cost necessary to implement each item in the proposed plan and its total cost. Assume that the budget available for the total cost of the social protection spending should not exceed 1.5 percent of the GDP and 10 percent of the government budget.
  - d. If the budget available is reduced to 1 percent of GDP and 5 percent of discretionary budget and you have to drastically reduce the mix and scope of programs available, what are the two most important programs in your plan that you would want to maintain? Explain why.

## **DELIVERABLE**

You have 1 hour and 30 minutes to discuss the issues and the tasks in your group and to prepare a short 10 minutes presentation. You have been provided with a set of background material about SH that includes some general economic background and some specific information about the sources of risk and vulnerability and the characteristics and coverage of existing social programs.

In your presentation you are expected to highlight the methodology that you have used in order to design the safety net program mix that you are proposing.

Specify any shortcoming in your analysis and point out areas with gaps in knowledge that might require further investigation.