



# Shock-responsive social protection in fragile and conflict- affected states

## Pathways to supporting adaptive peace building

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- Supporting public planning processes in delivering climate-resilient development outcomes for the poorest.
- Supporting climate change negotiators from poor and vulnerable countries for equitable, balanced and multilateral solutions to climate change.
- Building capacity to act on the implications of changing ecology and economics for equitable and climate-resilient development in the drylands.

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## Foreword

As the climate continues to change, it is — as usual — the most vulnerable communities and individuals who are impacted worst; with the majority living in already fragile settings, such as those affected by conflict and violence.

In these complex contexts, it is never straightforward trying to survive present struggles whilst also preparing for and building resilience against future shocks. However, as this IIED report clearly demonstrates, with more dedicated resources and building on what already exists at local and national level, it is possible to adapt.

The Risk-informed Early Action Partnership (or REAP) was launched in 2019 to learn from existing anticipatory action pilots and projects and to help drive scale by working across governments, civil society, international organisations and the private sector. To be sustainable and scalable, we have found it is crucial to embed these anticipatory approaches into longer-term development and climate initiatives. As such, this most recent report from IIED — a key actor within the partnership — provides a helpful contribution in identifying how to do this practically in fragile and conflict-affected states, using existing social protection mechanisms.

I would urge you to read the report and take note of its recommendations; if we fail to prioritise these most vulnerable contexts and deliver effective social safety nets, then millions of people — as well as future generations — could be pushed beyond their limits. However, with some climate-smart approaches that build on existing people-centred and locally led interventions, these communities will have the opportunity to fight back and build a safer future.

Collectively, we have the tools and the learning; now we need to act.



Ben Webster  
Head of Secretariat  
Risk-informed Early Action Partnership

Fragile and conflict-affected states (FCAS) are home to nearly 1 billion people, almost double the number from 20 years ago. Shock-responsive social protection programmes in these states can play a critical role in protecting livelihoods, strengthening adaptive capacity and supporting sustainable development. But FCAS have limited fiscal space, resources and tools/technology to implement these schemes at scale and provide comprehensive cover to all vulnerable populations. They need debt relief, climate finance support and financial assistance to increase spending on shock-responsive social protection. In addition, they need support to integrate climate information and early warning and anticipatory approaches into planning and decision making at the local level.

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# Summary

State fragility and conflict pose significant challenges in our world today. Fragile and conflict-affected states (FCAS) — a heterogeneous group of Least Developed Countries (LDCs) and developing countries — are home to nearly 1 billion people, almost double the number from 20 years ago. Violent conflict has spiked dramatically since 2010 in several regions, and the fragility landscape is becoming more complex. FCAS struggle to manage and mitigate risks linked to social, economic, political, governance, security and environmental challenges, including climate change.

## Context

This paper provides evidence that anticipatory and shock-responsive social protection can reinforce peacekeeping efforts, build climate resilience in FCAS cost effectively and address a range of other interconnected challenges that hinder their development and stability. It analyses the relationship of climate change, social protection and the risk of sovereign debt default. Finally, it presents the case for greater debt relief, climate finance support and financial assistance to strengthen shock-responsive social protection.

## Key findings

FCAS display lower growth rates, lower per capita gross domestic product (GDP) levels, higher inflation rates and a higher incidence of extreme poverty compared to non-FCAS. The negative macroeconomic outcomes in FCAS persist over decades. When fragility leads to conflict, the economic costs can range from 10–25% of GDP, resulting in increased inflation and deteriorating fiscal and external balances.

The depressed economic activity, declining trade and reduced investment have adverse effects on neighbouring countries, undermining regional stability. Another 20 million people are living in extreme poverty in FCAS since the onset of the COVID-19 pandemic. The war in Ukraine is also disrupting livelihoods, affecting energy and commodity markets, and placing further stresses on already fragile areas. Youth and women are particularly affected.

Adaptive peace building supports the emergence of resilient social institutions from within society itself. Shock-responsive social protection and adaptive peacebuilding are closely linked and can reinforce

each other. By addressing immediate needs and underlying structural issues, social protection creates the conditions for sustainable peace and contributes to long-term stability in fragile and conflict-affected contexts.

Integrating anticipatory response mechanisms into social protection programmes can deliver better resilience. Previous research shows that loss and damage caused by extreme climate events increased the odds of distress migration. But the availability of livelihood security through social protection reduces these odds in rapid-onset and slow-onset contexts by 66% and 59%, respectively. It can also help FCAS deal with other multidimensional economic, environmental, social and institutional risks.

Our comparative analysis shows how social protection mechanisms in FCAS help deliver preventive, protective, promotional and transformative functions of climate resilience:

- FCAS (such as Chad, Ethiopia and South Sudan) have the highest benefit–cost ratio (BCR) values for social protection instruments. For every dollar spent on social protection, higher-climate-risk countries reduce more poverty and vulnerability than lower-risk countries.
- Public works programmes present a distinct pattern from other instruments. They show a better performance in FCAS (eg Chad, Ethiopia and South Sudan), in terms of coverage, benefit incidence, benefit adequacy, BCR and average per capita transfer.
- School feeding, public works, and food and in-kind programmes in the higher-risk countries have high BCR — 0.76, 0.68 and 0.62, respectively.

Most countries prefer cash transfers and social pensions. But they need to invest in instruments that suit their context rather than adopting a 'one size fits all' approach. This could include allocation to instruments that show better performance, that require less average per capita transfer, and that produce higher BCR than cash transfers.

Social protection programmes in FCAS are often marred by targeting, exclusion, gender inequality, marginalisation and lack of transparency. In addition to addressing these concerns, tools, skills and guidance are needed to support integration of climate information and risk management approaches into planning and decision making at the local level. Such approaches should be both 'top-down' and 'bottom-up' so they can project the impacts and risks of climate change, and identify those most vulnerable.

Social protection programmes face significant financing constraints. Governments may need to borrow money to bridge the gap between income and spending, and to continue providing essential services and support to their citizens. With the increasing frequency of climate impacts, many countries are being pushed towards unsustainable levels of debt.

Increased public default-to-debt ratios undermine the ability of FCAS to finance investments in social protection programmes. Countries with debt defaults also see an increase in political instability. Yet FCAS are among those most neglected by international climate action and finance. In fact, a country received less in climate finance as it became more fragile. Climate finance is risk averse and often does not reach the most vulnerable.

## Recommendations

Shock-responsive social protection programmes in FCAS can play a critical role in protecting livelihoods, strengthening adaptive capacity and supporting sustainable development. By integrating climate change considerations into social protection interventions, these programmes can help vulnerable communities in FCAS better cope with climate-related shocks, reduce their exposure and vulnerability, and promote sustainable development in the face of a changing climate. In an FCAS context, shock-responsive social protection programmes can also support emergence of resilient social institutions from within the society and contribute to adaptive peacebuilding efforts and establishing sustainable peace.

But FCAS have limited fiscal space, resources and tools/technology to implement these schemes at scale and provide comprehensive cover to all vulnerable populations. We call on the United Nations Framework Convention on Climate Change, the Loss and Damage Transitional Committee, developed countries, the World Bank and other development agencies to adopt a comprehensive approach to scale up shock-responsive social protection programmes in FCAS:

- Direct debt relief and restructuring from international mechanisms towards FCAS to enhance their spending on social protection
- Allocate climate finance from various mechanisms to the most vulnerable areas and countries within FCAS to support their adaptation efforts and increase investment in shock-responsive social protection, and
- Increase official development assistance and private sector investments in FCAS, enabling them to strengthen their social sectors and enhance the coverage and effectiveness of social protection programmes.

In addition, FCAS will need support for development of social registry, tools, skills and guidance to integrate climate information and early warning and anticipatory approaches into planning and decision making at the local level. With this comprehensive support, FCAS will be able to deal with fiscal constraints, climate vulnerabilities and resource limitations for promoting resilience and sustainable development.

## 1

# Fragile and conflict-affected states, social protection and climate change

## Why addressing vulnerability in FCAS matters

State fragility and conflict pose significant challenges in our world today. Fragile and conflict-affected states (FCAS) are home to nearly 1 billion people, almost double the number from 20 years ago (Collier et al., 2018). Violent conflict has spiked dramatically since 2010 in several regions, and the fragility landscape is becoming more complex (UNDP, 2022). These countries face a complex mix of interlocking characteristics that hinder sustained progress. FCAS often have low levels of administrative capacity, limited rule of law and basic services, and high levels of social polarisation. They struggle to manage and mitigate risks linked to various factors such as social, economic, political, governance, security and environmental challenges (IMF, 2022).

FCAS encompass a heterogeneous group of Least Developed Countries (LDCs) and developing countries, and there is no universal definition or fixed list (see Box 1). Some countries not classified as FCAS may still exhibit elements of fragility. Consequently, they may slide into conflict when they cannot manage stressors effectively. In 2020, the number of forcibly displaced people — many of whom are fleeing from violent conflict — reached 82.4 million, twice the level

in 2010 (UNDP, 2022). Additionally, neighbouring states often bear the brunt of protracted spillovers from FCAS; they host 73% of the world's 26 million refugees (UNHCR, 2021). This has significant implications for income distribution, productivity, labour supply, tax bases and consumption patterns in these neighbouring countries (Borjas and Monras, 2017).

According to estimates, fragile states may host 60% of the global poor by 2030, despite accounting for just 10% of the world's population (Corral et al., 2020). While not all FCAS are in active conflict, most are at risk due to the alarming global levels of violence, which have reached a 30-year high (IISS, 2021). This worsening fragility landscape poses a significant threat to achieving the Sustainable Development Goals. Many FCAS also have limited economic opportunities, with high levels of unemployment and underemployment. This can be exacerbated by a lack of foreign investment and trade opportunities, as well as ongoing conflict and insecurity. Consequently, the private sector remains underdeveloped, and incomes fall behind those of more stable LDCs and developing countries (IMF, 2022).

We analysed gross domestic product (GDP) per capita against multidimensional risks for FCAS and compared this with other non-FCAS LDCs, as well as developing and developed countries. Figure 1 illustrates that countries with lower GDP per capita face higher risks and vulnerabilities, making them more susceptible to



## BOX 1. DEFINITION OF FCAS

Conflict refers to a state of opposition, disagreement or hostility between two or more parties. It typically arises from differences in interests, goals, ideologies, values or resources. Conflicts can occur at various levels: interpersonal (between individuals), social (within communities or societies) or international (between nations). They can manifest in various forms, including verbal disputes, physical confrontations, political disagreements or armed warfare.

A fragile state, also known as a failing state, refers to a nation or sovereign state characterised by weak governance, limited institutional capacity, political instability and a high level of vulnerability to internal and external threats. These states struggle to maintain control over their territory, provide security for their citizens and deliver essential services such as healthcare, education and infrastructure. The absence of effective governance structures, the breakdown of rule of law and the lack of institutional legitimacy contribute to their fragility.

The World Bank, the United Nations Development Programme (UNDP) and the Organisation for Economic Co-operation and Development (OECD) have different definitions for FCAS:

World Bank (2020) defines FCAS as countries “where state institutions are weak or non-existent, and where fragility, conflict or violence threatens to exacerbate poverty, vulnerability and inequality”.

UNDP (2018) defines FCAS as countries “where institutional capacity is inadequate, the social contract is weak, and individuals and communities are vulnerable to shocks”.

OECD (2018) defines FCAS as countries or regions “experiencing serious long-term problems with governance, institutional capacity, development policies or violent conflict”.

While the wording of these definitions might vary, each provides an insight into the characteristics and challenges faced by FCAS, highlighting the complex interplay of political, social and economic factors that contribute to their fragility.

various challenges. The analysis covers 173 countries, comprising 34 FCAS, 24 non-FCAS LDCs, 78 non-FCAS developing countries and 37 developed countries. The list of countries and data sources are provided in Annex 1.

Figure 1 shows that FCAS and LDCs overlap to some extent but have different risk patterns. Many FCAS are also classified as LDCs, as they share similar development challenges related to poverty, weak governance and limited access to basic services. Yet not all LDCs are FCAS. Some countries may face significant development challenges but are not affected by ongoing conflict or instability. Similarly, not all FCAS are LDCs. Some FCAS, such as Libya or Venezuela, have experienced significant political instability or conflict but have relatively high levels of economic development compared to other FCAS (Cortez and Kim, 2012).

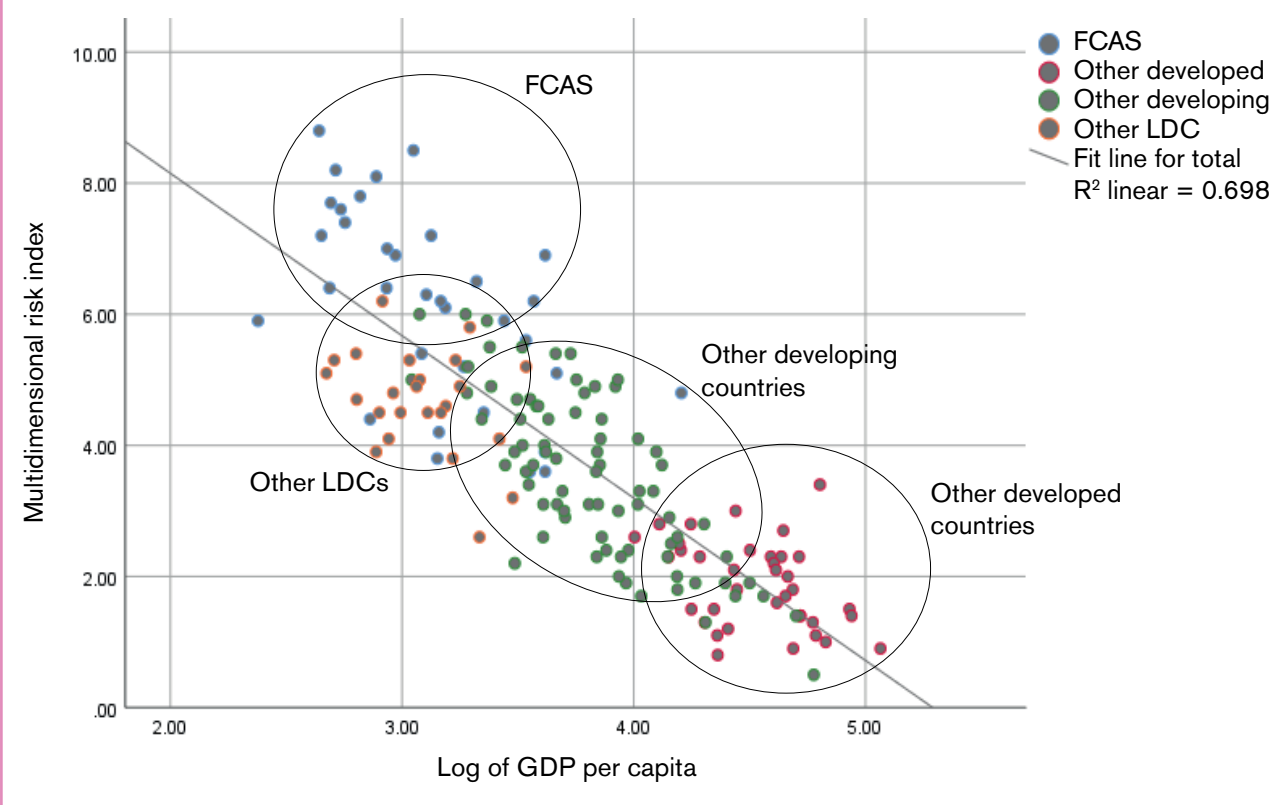
While LDCs may also face significant challenges related to poverty, weak governance and limited economic opportunities, they may be more stable than FCAS. Consequently, they may be better positioned to address these challenges. LDCs may also benefit from targeted international support and investment. This can help them overcome these challenges and promote sustainable development. On the other hand, FCAS often face significant political, social and economic challenges. These can exacerbate conflict and limit their ability to address other development

challenges. These challenges can create a vicious cycle of conflict and instability that can undermine progress towards development. In addition, FCAS may also face significant challenges related to humanitarian crises, such as food insecurity, epidemics and natural disasters. These challenges can further undermine development progress and contribute to ongoing instability and conflict (UN, 2005).

Our research shows that FCAS display lower growth rates, lower per capita GDP levels, higher inflation rates and a higher incidence of extreme poverty compared to non-FCAS. The negative macroeconomic outcomes in FCAS persist over decades, as evidenced by some 21 countries consistently classified as FCAS for more than 14 years. When fragility leads to conflict, the economic costs can range from 10–25% of GDP, resulting in increased inflation and deteriorating fiscal and external balances.

Furthermore, depressed economic activity, declining trade and reduced investment have adverse effects on neighbouring countries. FCAS can undermine regional stability through interconnected security, political, social and economic linkages (IMF, 2022). The analysis indicates that fragility and conflict have significant human costs that undermine growth prospects, increase fiscal vulnerabilities, destabilise balance of payment positions and disrupt financial flows.

Figure 1. Multidimensional risk index of FCAS and other countries.



## Why social protection is significant in the context of FCAS

The concept of social protection has evolved with societies. Initially, safety nets sought to reduce poverty. In the early 20th century, development of wage labour and decline of Indigenous social protection mechanisms were notable social changes. In response, governments began providing income security in the form of savings and insurance. Over time, social protection started to cover a broader range of risks, such as unemployment, ageing, workplace accidents, health problems and homelessness (Bonilla Garcia and Gruat, 2003).

In 2017, governments and international donors spent more than US\$500 billion in lower- and middle-income countries to support large-scale social protection (Norton et al., 2020). Social protection programmes help diversify livelihood options for poor and vulnerable populations, as well as give them an opportunity to work in less resource-intensive livelihoods. Nearly 45% of the world's population is covered by at least one social protection benefit, while social assistance benefits reach close to 25% of the vulnerable population (ILO, 2017).

Today, social protection is at the next phase of its evolution. In addition to the previous risks, people are facing several new challenges such as greater poverty, conflict and fragility, and changing social and political structures, alongside climate change and declining natural resources. Consequently, governments are re-examining their social protection systems and policies.

This shift assumes significance in the context of FCAS. World Bank Global Economic Prospects (2023) estimates an additional 20 million people are living in extreme poverty in FCAS since the onset of the COVID-19 pandemic. Severe food insecurity, estimated to affect over 240 million people until 2027, is twice as prevalent in FCAS. In fragile and conflict-affected areas, average per capita incomes are expected to decline by 2024 (World Bank, n.d.a).

The war in Ukraine is also disrupting livelihoods, affecting energy and commodity markets, and placing further stresses on already fragile areas, such as Yemen and the Sahel. Two-thirds of the 155 million acutely food-insecure people requiring urgent assistance reside in FCAS, including countries such as Afghanistan, the Democratic Republic of Congo, Syria and Yemen (WFP, 2021).

In FCAS, a considerable proportion of youth, with more than half being women, is not engaged in employment, education or training (OECD, 2020). This puts additional pressure on social spending in countries already grappling with limited fiscal space and weak social protection systems. The inability to generate sufficient jobs for the growing youth population exacerbates the risk of social unrest. Gender inequality is particularly acute in FCAS, with women more vulnerable to gender-based violence and facing greater economic hardships compared to stable societies. Countries with higher levels of gender equality tend to be more stable and experience faster growth (World Bank, 2013).

Social protection programmes need to be part of core development strategies in FCAS to alleviate poverty, achieve social cohesion and sustain economic growth. Such programmes can help mitigate risks, reduce poverty and promote stability. Evaluations show they directly increase access to basic services and reduce vulnerability (Government of Kenya, 2012). Evidence (Arnold, 2011) from numerous countries shows that safety nets leveraged sizeable gains in access to health and education services. This is measured by increases in school enrolment (particularly for girls) and use of health services (especially preventive health, and health monitoring for children and pregnant women).

Targeted social protection interventions have directly reduced poverty and inequality. In 2019, for example, unusual weather conditions exacerbated by climate change created the ideal conditions for the desert locust outbreak (World Bank, n.d.b). In Yemen, the Desert Locust Response Project (World Bank, n.d.c) provided immediate assistance to help poor and vulnerable farmers, herders and rural households overcome the loss of crops and income. The project provided targeted social safety nets like cash transfers. At the same time, it invested in the medium-term recovery of agriculture and livestock production systems and other aspects of rural livelihoods in areas affected by this crisis.

Although not a fragile or conflict-affected country, Brazil experienced one of the most notable examples globally in reduced inequality; this was driven largely by a reduction in extreme poverty. Studies have found that *Bolsa Família*, the largest conditional cash transfer programme in the world, was responsible for 21% of this decline in national inequality. At the same time, it had no negative impact on economic growth. As another example, the old age pension in South Africa was shown to reduce the poverty gap ratio between the richest and the poorest citizens by 13%.

In an FCAS context, social protection can provide a safety net for individuals and communities affected by conflict, helping them cope with the immediate and long-term consequences of violence and instability. By offering financial assistance, social insurance and access to essential services, these programmes can

contribute to the wellbeing and resilience of affected populations. They can also address the needs of marginalised groups, including women, children and displaced persons, who are particularly vulnerable in FCAS settings. They can help alleviate gender inequalities, protect against gender-based violence and support the economic empowerment of women. By investing in social protection, countries can foster social cohesion, rebuild trust and lay the foundation for sustainable peace and development. Furthermore, social protection programmes could mitigate the negative impacts of conflicts and crises on the economy. By providing income support and promoting livelihood opportunities, they can help stabilise communities, reduce poverty-driven grievances, and contribute to the overall economic recovery and development of the country.

## Why climate change loss and damage is an urgent concern in FCAS

The rising challenge of climate change threatens to reverse development gains, reinforce structural barriers to development and push people back into poverty. Under a 'business as usual' scenario, climate change is projected to drive 100 million more people into extreme poverty by 2030 (World Bank, 2016).

Many countries are experiencing new types and forms of climate impact, and of higher intensity, which they are not equipped to handle. In 2022, South Sudan faced record-breaking rains and floods for a fourth consecutive year, and flooding affected two-thirds of the country. Over 900,000 people were directly impacted as water swept away homes and livestock, forced thousands to flee and inundated large swathes of farmland, worsening an already dire food emergency. Boreholes and latrines were submerged, contaminating water sources and threatening disease outbreaks (UNHCR, 21 October 2022a). Also in 2022, more than 2.8 million people were impacted by the worst floods to hit Nigeria in a decade (UNHCR, 21 October 2022b). These impacts are increasingly falling into the category of loss and damage (L&D) (Bharadwaj and Shakya, 2021). L&D occurs when the capacity of affected communities and countries are compromised to such an extent that they can no longer absorb the effects of climate risks or adapt to climate impacts.

The complex and interconnected nature of climate change extends beyond its environmental implications. It has significant consequences for development, security and the wellbeing of individuals and communities. While climate change itself does not directly cause violent conflict, it can amplify existing vulnerabilities and exacerbate risks that expose communities to climate impacts. FCAS regions, already grappling with socioeconomic and political challenges, are particularly

susceptible to the impacts of climate change. Additionally, FCAS may encounter restrictions due to sanctions, limiting their access to international financing and clean technologies. As a consequence, their ability to cope with and adapt to the impacts of climate change is constrained.

These adverse circumstances further strain the capacities of FCAS, exacerbate inequalities and impede progress towards achieving and sustaining peace. Moreover, FCAS represent most of the countries ranked in the bottom 35 for climate change vulnerability and readiness to improve resilience. Additionally, more than half of FCAS are at risk of major natural disasters, particularly in the Asia-Pacific region (University of Notre Dame, 2019).

UNDP (2020) analysed 40 Nationally Determined Contributions (NDCs) of low- and middle-income countries, Small Island Developing States and countries affected by conflict and fragility. All NDCs examined contained one or more references to “conflict”, “peace”, “security”, “stability” and/or “war”. In terms of specific threats to national security, the NDCs of various countries highlight the potential links between climate change and social tensions, resource conflicts and insecurity.

- Yemen’s NDC (Republic of Yemen, 2015) acknowledges that climate change and its associated ecological scarcity and livelihood impacts could escalate social tensions and lead to resource conflicts.
- Sudan’s NDC (Republic of Sudan, 2021) underscores the complex relationship between climate change and other systemic risks such as land degradation, which can give rise to interconnected disasters and conflicts.
- Somalia (Federal Republic of Somalia, 2021) provides a comprehensive assessment of climate-related security risks in its NDC. Over the past 50 years, Somalia has experienced 14 major drought events that have adversely affected more than 6 million people. Its NDC highlights the detrimental impact of climatic variability, climate change and land degradation, which have led to increased rural-to-urban migration and intensified conflicts over natural resources. This, in turn, has resulted in loss of lives and livelihoods.

These examples demonstrate the recognition of climate change as a factor that interacts with existing challenges, exacerbating conflicts and posing additional risks to stability and security. By understanding and addressing the interconnections between climate change, conflict prevention and sustaining peace, we can better navigate the challenges posed by climate change and work towards building resilient and secure societies.

## Why social protection programmes can deliver climate resilience effectively

The humanitarian system normally helps communities deal with the devastating impacts of climate events. But evidence shows that building resilience — that is, helping communities prepare, cope and recover from climate impacts — is far more cost effective than humanitarian responses. Social protection programmes can play a critical role in building climate resilience. They can help lift the most vulnerable out of the downward spiral of debt, asset depletion, food insecurity and malnutrition to a point where they can maintain and improve their livelihoods and living standards, even in the face of climatic shocks and stresses.

Social protection programmes have been shown to protect assets and smooth out consumption and incomes during climate shocks. For example, despite widespread drought and other weather-related shocks, households enrolled in Ethiopia’s Productive Safety Net Programme maintained or increased their standard of living between 2004 and 2010. In all, 62% of participants avoided selling assets and 36% avoided using savings to buy food (Bharadwaj et al., 2021). Examples from non-FCAS context show that Kenya’s Hunger Safety Net beneficiaries maintained their standard of living during the 2008–2011 droughts. Meanwhile, those not covered decreased their spending by 10% (Bharadwaj et al., 2021). Social protection programmes can also help people accumulate assets, raising incomes and leading to graduation from social protection. In Bangladesh, the Challenging the Frontiers of Poverty Reduction Programme increased per capita income by 42% and doubled household assets (OCHA, 2019).

Conversely, in the absence of social protection, climate shocks push many households further into poverty. This may force households into destructive coping strategies such as skipping meals, taking children out of school, forgoing medical care and selling off productive assets such as livestock. These can, in turn, have long-term negative impacts on the opportunities of the next generation. Evidence shows that children born during a drought are more likely to be chronically malnourished later in childhood than those who are not (Fuentes and Seck, 2007). Chronically undernourished children are disadvantaged throughout life. Moreover, their own children are more likely to be trapped in a cycle of poverty and undernutrition (Gubbels, 2011). But children who have been well-nourished from birth are sick less often, achieve more at school and go on to earn more during adulthood.

# 2

## Why shock-responsive social protection is needed to deliver climate resilience in FCAS

### Shock-responsive social protection can support adaptive peace building

In the FCAS context, where societies are experiencing fragility and conflict, strengthening of local institutions, self-organisation and community-based decision making can play a crucial role in establishing sustainable peace. Known as adaptive peace building (UNDP, 2022), this approach supports the emergence of resilient social institutions from within society itself. Shock-responsive social protection and adaptive peacebuilding efforts are closely linked and can reinforce each other. Shock-responsive social protection can support adaptive peacebuilding efforts by addressing vulnerabilities, strengthening social cohesion, promoting resilience, enhancing legitimacy, facilitating inclusive decision making and preventing the recurrence of violence. By addressing immediate needs and underlying structural issues, it creates the conditions for sustainable peace and contributes to long-term stability in fragile and conflict-affected contexts.

Six ways in which shock-responsive social protection can contribute to adaptive peace building are:



#### **Addressing underlying vulnerabilities.**

Shock-responsive social protection aims to support vulnerable populations during crises and shocks. By addressing underlying socioeconomic vulnerabilities, such as poverty, inequality and exclusion, it can help reduce discontent that can fuel conflicts. By assisting those most affected by shocks, it helps alleviate the pressures and tensions that can lead to violence, thereby supporting peacebuilding efforts.



#### **Strengthening social cohesion.**

Shock-responsive social protection programmes often involve community engagement and participatory approaches. By involving local communities in the design and implementation of social protection interventions, it can foster social cohesion and strengthen social bonds. This community engagement can help build trust and cooperation, which are essential elements of building peace.





### Promoting resilience and adaptive capacity.

Shock-responsive social protection programmes are designed to build the resilience and adaptive capacity of individuals, households and communities. By providing financial assistance, access to basic services and livelihood support during shocks, they can help communities withstand and recover from crises. The enhanced resilience and adaptive capacity can contribute to a more stable and peaceful environment, as communities are better equipped to cope with and respond to shocks.



### Enhancing legitimacy and trust in local institutions.

Effective shock-responsive social protection requires functioning and accountable institutions. By ensuring transparent and equitable distribution of assistance, it can enhance trust in institutions and governance systems. This increased trust can strengthen the legitimacy of state authorities and contribute to peacebuilding efforts by addressing grievances and improving social cohesion.



### Promoting inclusive decision making.

In the context of shock-responsive social protection, inclusive decision-making processes are crucial. By involving diverse stakeholders, including marginalised groups, in decisions related to social protection, it fosters inclusive governance and democratic practices. Inclusive decision making can help address social inequalities and power imbalances, which are often root causes of conflicts.



### Preventing the recurrence of violence.

Shock-responsive social protection programmes can help prevent the recurrence of violence by addressing the root causes of conflicts and building sustainable peace. By providing support and opportunities for vulnerable populations, it reduces the likelihood of them resorting to violence as a means of survival or addressing their grievances. It creates an enabling environment for peacebuilding efforts to take hold and be sustained.

## Integrating anticipatory response mechanisms into social protection programmes can deliver better resilience

Building resilience under social protection programmes is more cost effective than a humanitarian response after a crisis. Anticipatory risk-responsive social protection programmes are thus needed (see Box 2). One study showed that every US\$1.0 spent on disaster resilience resulted in: reduced humanitarian spending; avoided losses; and development gains of US\$2.8 in Ethiopia and

US\$2.9 in Kenya (CHASE, 2012). Another study shows that every US\$1.0 invested in resilient infrastructure generates US\$4.0 in benefits (World Bank, 2019).

IIED research (Bharadwaj et al., 2022) shows the availability of social protection reduces the odds of distress migration in communities exposed to climate impacts. Our analysis showed that L&D caused by extreme climate events increased the odds of distress migration. But the availability of livelihood security through social protection reduces the odds of distress migration in rapid-onset and slow-onset contexts by 66% and 59%, respectively.

Those who undertake distress migration become vulnerable to trafficking and suffer human rights violations. This includes forced labour, bonded labour, debt bondage, wage withholding and exploitative working conditions. Of those who undertake distress migration, trafficked migrants make up 42% of households in slow-onset event areas and 16% in rapid-onset event areas. Countries therefore need climate shock-responsive social protection systems to provide anticipatory support to communities before a crisis hits.

Increasing pre-arranged finance through social protection programmes before a crisis occurs can be cost effective and change the way the humanitarian system responds to climate hazards and other economic crises or pandemics. Creating a proactive, timely and anticipatory response system can make economies more resilient, safeguard sustainable development, and protect the lives and livelihoods of poor and vulnerable people and gradually lead towards stable societies.

## Anticipatory and shock-responsive social protection can help deal with the inherent multidimensional risks faced by FCAS

FCAS face a range of interconnected economic, environmental, social, infrastructural and institutional challenges that hinder their development and stability. Figure 2 analyses their multidimensional risks compared to those of non-FCAS LDCs, and developing and developed countries. It is based on 54 core indicators that have been further broken down under economic, environmental, social, infrastructural and institutional dimensions. The analysis used a database for 173 countries that assessed multidimensional risk based on hazards and exposure, vulnerability and lack of coping capacity. The list of indicators and data sources is presented in Annex 1.

The relative vulnerability of FCAS presented in Figure 2 clearly shows they face significant challenges on a number of fronts. In terms of the economy, FCAS

Figure 2: Multidimensional risks of FCAS compared to non-FCAS LDCs, developing and developed countries on a range of parameters like institutional, social, environmental and economic dimensions.



often suffer from limited economic diversification, relying heavily on a narrow range of industries. This leaves them vulnerable to market disruptions and price fluctuations and declining growth rate. For example, in Chad, oil accounts for over 80% of export revenues, leaving the country highly dependent on volatile oil prices (OEC, n.d.). Similarly, in the Democratic Republic of Congo, GDP growth dropped from 9.5% to 1.7% between 2014–2020 due to ongoing conflicts and political uncertainty (World Bank, n.d.). All this results in insufficient financial resources in FCAS. Resource constraints, both domestically and in terms of accessing international funding, hinders the scale and effectiveness of emergency response and shock-responsive social protection programmes in FCAS. In Yemen, limited fiscal capacity, coupled with reduced international aid, has limited the scale and effectiveness of emergency response and social protection programmes in addressing shocks (UNESCWA, 2022).

From an environmental perspective, FCAS encounter resource depletion and environmental degradation. Ongoing conflicts and weak governance exacerbate issues such as deforestation, soil degradation and water scarcity. The consequences are evident in countries such as South Sudan, where years of conflict have contributed to widespread deforestation and subsequent strain on natural resources (IOM, 2021).

In the social domain, FCAS grapple with displacement and refugee crises caused by conflicts and violence. The influx of refugees places immense pressure on resources and services in host countries. Lebanon, for example, hosts more than 1.5 million Syrian refugees who are seeking shelter and support (UNHCR, n.d.).

Furthermore, weak social infrastructure in FCAS hampers the provision of essential services such as healthcare, education and sanitation. Across Haiti, for example, 94% of children will survive to the age of 5, but only 78% of 15-year-olds will survive until the age of 60. This signals the high burden of communicable and noncommunicable diseases, as well as the continued gaps in maternal and child healthcare (World Bank, 6 April 2023).

Institutionally, FCAS struggle with weak governance, corruption and fragile security situations. Corruption and mismanagement hinder economic development and exacerbate social and political tensions, as seen in Zimbabwe (Peoples Dispatch, 2020). Moreover, persistent conflicts, violence and fragile security undermine institutional capacity, hindering development efforts. In Libya, for example, a fragmented security landscape and lack of a unified government pose significant challenges to stability and reconstruction (Lapo, 2018).

The complex and connected nature of issues faced by FCAS requires comprehensive and context-specific approaches. Anticipatory and shock-responsive social protection (see Box 2) can play a vital role in addressing this need. It can enhance social safety nets by promoting poverty reduction, human development, economic growth, empowerment, resilience to environmental shocks, social cohesion and, finally, strengthened resilience of individuals and communities. This can help FCAS withstand and recover from shocks and promote sustainable development (See Figure 3).

## BOX 2. A GLOSSARY OF KEY TERMINOLOGIES

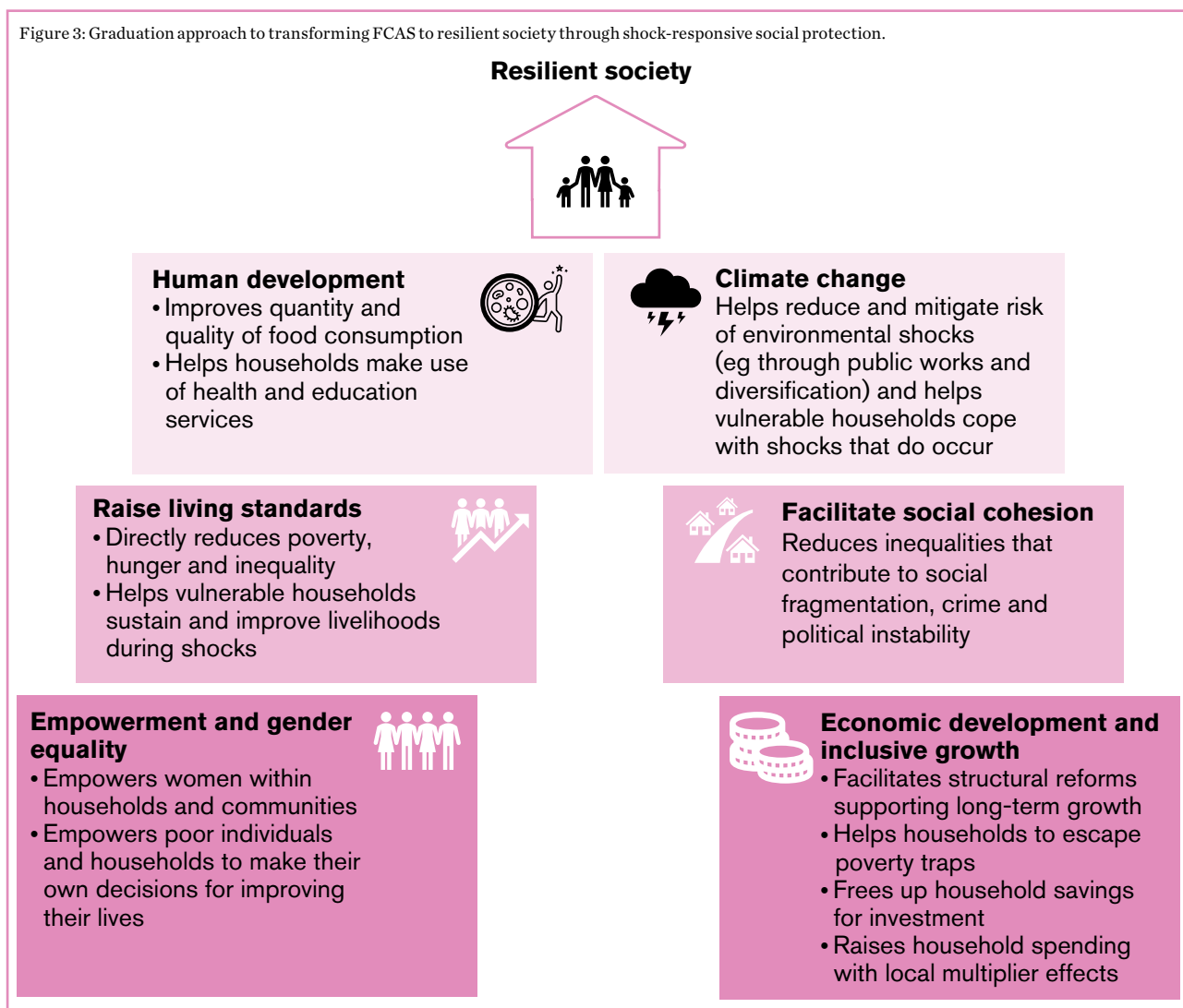
**Social protection** — policies and programmes that help prevent, manage and overcome situations that adversely affect people's wellbeing (UNRISD, 2010). They reduce poverty and vulnerability, diminish people's exposure to risks and enhance their capacity to manage risks.

**Climate resilience** — the ability to prepare for, cope with and recover from hazardous events, trends or disturbances related to climate change.

**Anticipatory action** — acting before a predicted crisis or risk, based on early warning or climate impact forecasts, to prevent or reduce the impacts before they fully unfold.

**Anticipatory shock-responsive social protection programmes** — integrating anticipatory actions into social protection programmes to deliver climate resilience outcomes. This could include enhancing countries' and communities' ability to anticipate, prepare for, respond to, cope with and recover from crises or events related to climate change. Such action will require comprehensive risk assessment, reliable early warning systems/climate change forecasts, pre-agreed plans for action and pre-agreed finance released predictably and rapidly when an agreed threshold of tolerance or trigger points are reached.

Figure 3: Graduation approach to transforming FCAS to resilient society through shock-responsive social protection.





Shock-responsive social protection can support graduation of communities towards resilience in the following ways:

1. Higher living standards:

- Directly reducing poverty, hunger and inequality by providing financial support to vulnerable households
- Helping households sustain and improve their livelihoods, enabling them to cope with vulnerability and shocks.

2. Human development/human capital:

- Improving the quantity and quality of food consumption, particularly benefiting child nutrition and development
- Helping households access essential health and education services by covering access costs, reducing child labour and preventing school dropout.

3. Economic development and inclusive growth:

- Facilitating structural reforms that support long-term economic growth, leading to sustainable development
- Enabling households to escape low-risk, low-productivity poverty traps, promoting upward mobility and economic empowerment
- Freeing up household savings for investment, stimulating economic activity and fostering inclusive growth
- Raising household spending with local multiplier effects, creating potential to serve as a fiscal stimulus.

4. Empowerment and gender equality:

- Empowering women within households and communities by providing them with financial resources and decision-making power
- Empowering poor individuals and households to make their own decisions regarding their wellbeing and development.

5. Climate action:

- Helping reduce and mitigate the risk of environmental shocks through measures such as public works and diversification of income sources
- Assisting households in coping with climate-related and natural disasters, providing them with support to recover and rebuild their lives.

6. Social cohesion and state building:

- Reducing inequalities that contribute to social fragmentation, crime and political instability, fostering social cohesion
- Contributing to state-building efforts by strengthening the legitimacy of institutions through inclusive and accountable governance.

These factors can help develop resilient societies in FCAS by building the capacity of individuals, households and communities to withstand and recover from shocks and crises. To that end, they can promote adoption of risk reduction strategies, including early warning systems, preparedness measures and community-based disaster management. By providing financial support during shocks, it reduces the immediate impact on vulnerable populations, preventing them from falling into deeper poverty and vulnerability. It can foster social cohesion and collective action, as communities come together to support each other during crises and work collaboratively towards resilience-building initiatives. Shock-responsive social protection also facilitates integration of resilience considerations into broader development strategies, ensuring that communities are better prepared to face future shocks and challenges.

## 3

# How to finance anticipatory and shock-responsive social protection programmes in FCAS

## Spending levels on different social protection instruments in FCAS

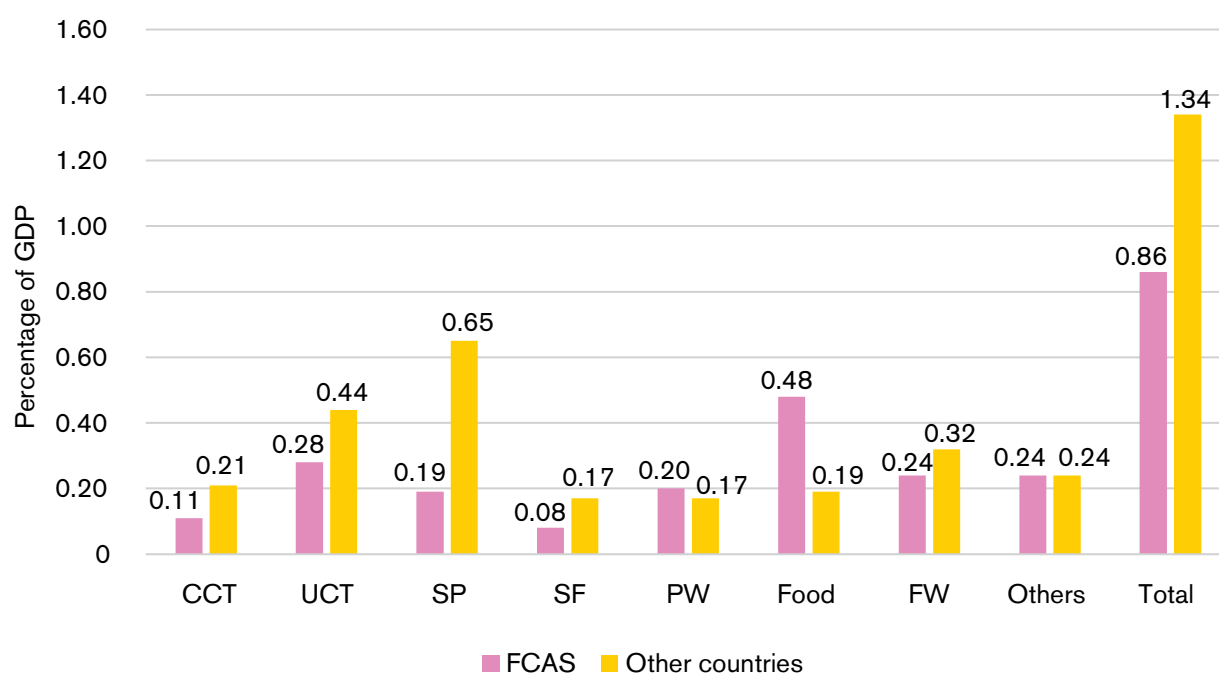
While benefits of social protection are well recognised, financing remains a challenge. Social protection programmes face significant financing constraints, with low investment, limited coverage and inadequate protection. Higher allocations to social protection are needed to achieve long-term reductions in poverty and build resilience against climate risks. But most FCAS struggle to mobilise domestic resources.

Our analysis (Figure 4) shows that social protection spending for FCAS is only 0.86% of GDP. On the other hand, non-FCAS countries have average social spending of 1.34%. Within FCAS, food programmes receive the largest portion of funds allocated for social protection (0.48% of GDP). This is followed by unconditional cash transfers (0.28%), fee waivers (0.24%) and public works (0.20%). In contrast, among the countries not classified as FCAS, the highest social spending is allocated to social pension programmes (0.65%), followed by unconditional cash transfers (0.44%) and fee waivers (0.32%).

Spending on social protection is low in FCAS due to a combination of factors. FCAS often face significant economic challenges, including low government tax and revenue collection, and limited financial resources. These constraints make it difficult for governments to allocate sufficient funds to social protection programmes. They also face a large number of competing government priorities that are likely to limit the fiscal resources available for social protection. An Oxfam briefing paper reported that 28 rich countries provide social protection at the rate of US\$695 per person; by contrast, 42 low- or middle-income countries can only provide US\$4–28 per person (Barba et al., 2020).

Prior to COVID-19, up to 4 billion people lacked social protection (ILO, 2017). As per World Bank estimates, an additional 1.3 billion people were covered during the pandemic, leaving about 2.7 billion still uncovered. Oxfam research found that emergency responses in 81% of countries studied covered less than half their population through social protection (Barba et al., 2020). In 29% of the countries, fewer than one in ten people were protected. The study observed that most benefits analysed were short-lived and inadequate to pay for even basic needs.

Figure 4: Spending on social protection programmes as percentage of GDP.



Note: Refer to Section 4 for full forms of CCT, UCT, SP, SF, PW, Food and FW

## The impact of climate change on sovereign default-to-debt risks for FCAS

Recurring and high-intensity climate disasters can lead to shortfalls in government revenue and tax collections. This follows from disrupted economic activities, damaged infrastructure and destruction of livelihoods based on natural resources. At the same time, government spending may go up due to a sudden increase in demand for its services. It may also invest in rebuilding and recovery initiatives during a climate crisis. Governments may need to borrow money to bridge this gap between income and spending and to continue providing essential services and support to their citizens. With the increasing frequency of climate impacts, many countries are being pushed towards unsustainable levels of debt. This, in turn, leads to the risks of debt default.<sup>1</sup> All countries do not share the same risk for default; FCAS are at greater risk than others. Figure 5 presents the association between the Hazard and Exposure Index and sovereign default-to-debt ratio.

Our analysis indicates that countries with a greater Hazard and Exposure Index rating tend to exhibit a higher ratio of sovereign default to debt than the other

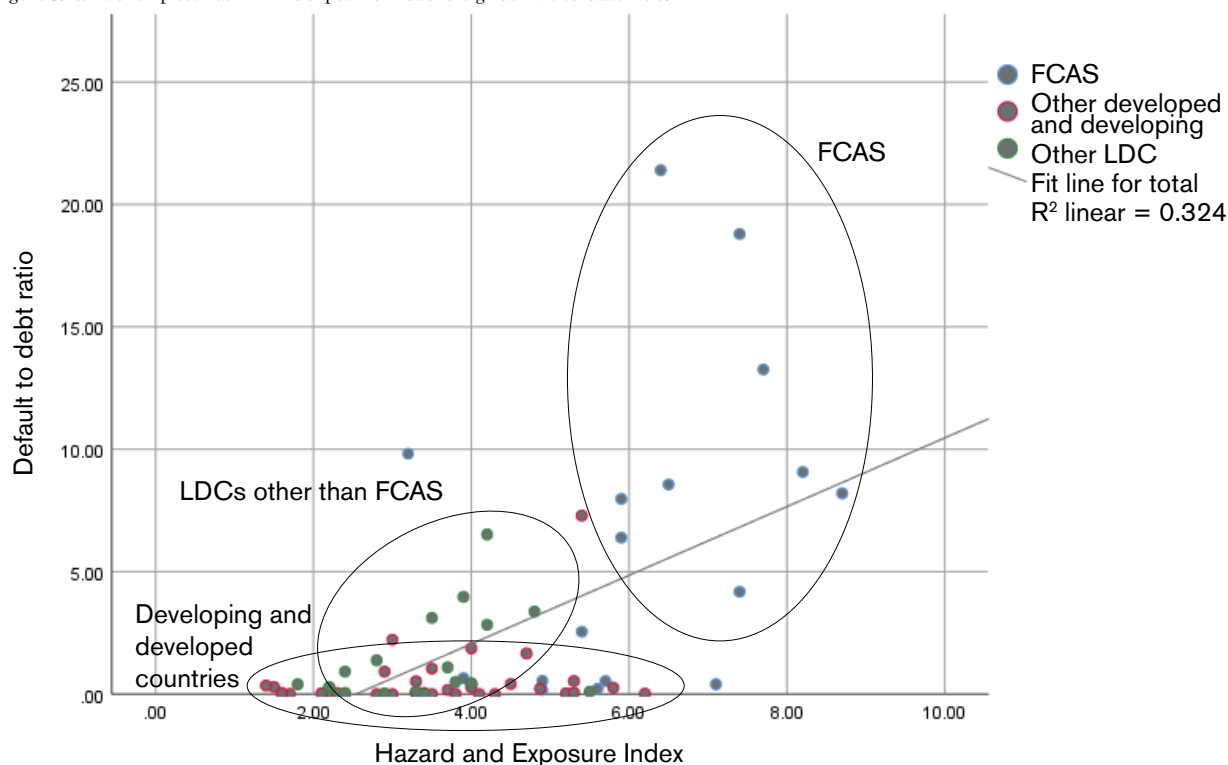
countries. The average ratio of sovereign default to debt for the 18 FCAS studied is 6.26, accompanied by an average Hazard and Exposure Index rating of 5.95. In contrast, for non-FCAS, the average default-to-debt ratio is 0.84, with an average Hazard and Exposure Index of 3.49. The regression model predicts higher values for the relationship between these two variables in FCAS compared to other countries. Notably, FCAS such as Niger, Myanmar, Sudan, Mozambique and Mali exhibit the highest predicted values for sovereign default-to-debt ratio.

## The impact of sovereign debt default on social spending of FCAS

FCAS face significant challenges in accessing international financial markets due to their high-risk profile from political instability. Investors hesitate to provide financing to countries experiencing conflict, political instability or weak governance. Limited access to financial markets then makes it difficult for FCAS to obtain affordable loans and refinancing options. This, in turn, forces them to rely on alternative sources of financing or assistance from international financial institutions with higher interest rates (IDA, 2019).

<sup>1</sup> Default risk: "Sovereign default risk represents the likelihood that a particular sovereign will default on its debt. While most debt defaults involve foreign debt, sovereigns may also default on domestic debt denominated in the national currency." [www.investopedia.com/terms/s/sovereign-default.asp](http://www.investopedia.com/terms/s/sovereign-default.asp). An IMF paper explains debt distress in this way: "Unsustainable debt can lead to debt distress — where a country is unable to fulfil its financial obligations and debt restructuring is required. Defaults can cause borrowing countries to lose market access and suffer higher borrowing costs, in addition to harming growth and investment." [www.imf.org/en/Publications/fandd/issues/2020/09/what-is-debt-sustainability-basics](http://www.imf.org/en/Publications/fandd/issues/2020/09/what-is-debt-sustainability-basics)

Figure 5: Relationship between hazard exposure and sovereign default-to-debt ratio.



Notes: The sovereign default-to-debt ratio has been calculated as average sovereign default to loans from 2016–2020/sovereign debt in 2021. The Hazard and Exposure index is calculated based on time series data from INFORM Risk database 2021. (Total sample N=71; FCAS N=18, LDCs other than FCAS N=19 and Other developed and developing countries N=34). Source: International Monetary Fund's Global Debt Database.

Figure 6 analyses the average sovereign debt-to-default ratio for different categories of country. The analysis covered 77 countries for which these data were available. Of these, 18 were FCAS, 19 were non-FCAS LDCs and the remaining 34 were non-FCAS developed and developing countries.

Our analysis shows a significant disparity in sovereign default rates between FCAS and other countries. The average sovereign default-to-debt ratio for FCAS is 6.26, which is almost 5 times higher than non-FCAS LDCs (1.33) and 11 times higher than non-FCAS developing and developed countries (0.56). The sovereign debt status of FCAS is thus marred by high levels of debt distress, default and limited access to international financial markets.

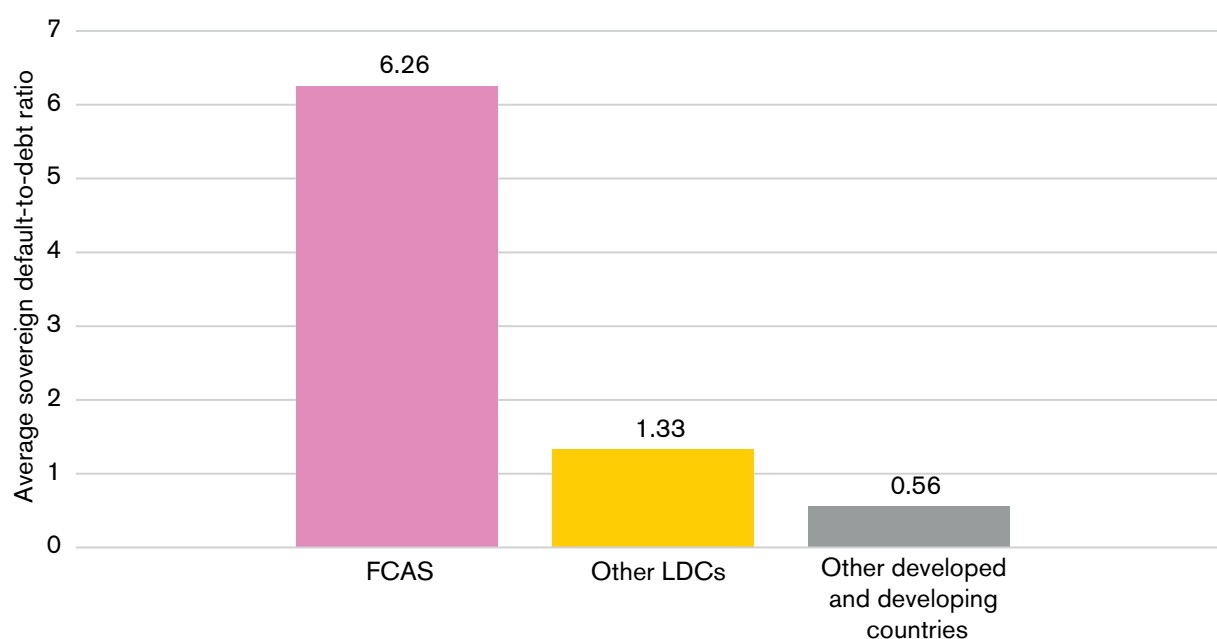
High debt distress further exacerbates the economic challenges in FCAS (see Box 3). The increased public default-to-debt ratios undermine the ability of FCAS to finance investments in social protection programmes such as poverty reduction, livelihood security, food, nutrition, health and education. Our correlation analysis shows that countries with higher sovereign debt to default are likely to spend less on social assistance. The degree of negative association is especially stark for FCAS and LDCs. The projection based on our regression modelling shows that debt default will affect the social spending of countries such as Guinea-Bissau and Myanmar more than others.

### BOX 3. WHY SUSTAINABLE DEBT SERVICING IS IMPORTANT

For countries, sovereign debt, or public debt, is an important way to finance investments in growth and development. But governments need to be able to continue paying or servicing their debt, and their debt burden must remain sustainable. In other words, debt payments should be in tune with growth projections and revenue mobilisation, including social spending needs and exposure to economic/ climate shocks. Unsustainable debt burden can lead to debt distress, where a country is unable to repay or service its debts.

Entering into debt distress can be precarious for countries and threaten their macro-economic stability, setting back their development for years. It can also curtail public spending on basic services and social protection, resulting in increased poverty levels and vulnerability.

Figure 6: Average sovereign default-to-debt ratio in FCAS and other countries.



Note: The sovereign default-to-debt ratio has been calculated as average sovereign default to loans from 2016–2020/sovereign debt in 2021. Data source: International Monetary Fund's Global Debt Database.

This finding is also in line with experience from COVID-19. The pandemic showed that governments around the world have differing capacity and fiscal space to respond to crises. Social spending is the first to take the hit, contributing to a more protracted crisis in the case of FCAS. For example, developed countries, backstopped by their central banks, came up with huge fiscal response packages amounting to 18% of their GDP and that too at low interest rates (UN, 2022). Availability of sufficient fiscal space enabled them to not only roll out measures immediately, but also channel resources towards strengthening social protection. But LDCs, especially FCAS, were constrained in their social spending (Debrun et al., 2020).

Countries with debt defaults also see an increase in political instability. In the recent case of Sri Lanka and Pakistan, citizens lost faith in their government's ability to manage the economy or cut social spending. Although countries with debt defaults are not all FCAS, the combination of climate disaster, debt and fragility can lead to protests, civil unrest and even regime change, all of which can further hinder economic development. In FCAS, per capita real GDP growth for 2020 was 9.4 percentage points lower than the estimated pre-pandemic projection, dropping from 1.9% growth to -7.5% (IMF, 2022). In all, 22, or 45%, of fragile states are LDCs. They are expected to be the most affected by the triple crisis of disaster, debt and fragility.

## The level of climate finance received by FCAS

The climate finance landscape shows that FCAS are among those most neglected by international climate action and finance. Even so, this macro view is not the whole picture.

More than one-third of the Global Environment Facility (GEF) portfolio has been spent in countries experiencing major armed conflict. Meanwhile, violent conflict has afflicted more than half of the GEF's recipient countries in the last three decades (GEF IEO, 2020). But UNDP (2021) shows that fragile and extremely fragile countries receive significantly less funding per capita from the Green Climate Fund (GCF), GEF, Adaptation Fund (AF) and Climate Investment Fund (CIF) than non-fragile states. Furthermore, projects in these areas are much smaller in funding size than in other countries.

The UNDP study (2021) also reveals that few of the four funds' top recipient countries are considered 'extremely fragile'. Only 1 of the top 15 recipients of climate funds between 2014 and May 2021 in the combined group of FCAS — the Democratic Republic of the Congo (DRC) — was extremely fragile (see OECD, 2022). Together, extremely fragile and fragile states averaged just US\$8.8 per person of climate funds. Of this, the former averaged US\$2.1 per person compared to US\$10.8 per person in fragile states.

According to another study (Cao, 2022), more than half of countries in the Sahel and Horn of Africa received less adaptation finance per person between 2010 and 2018 than the average for LDCs. Yet FCAS shared similar levels of socioeconomic development with LDCs. They also ranked at the top of multidimensional risk (see Figure 2).

According to both the UNDP and Cao research, a country received less in climate finance as it became more fragile. This supports the idea that climate finance is risk averse and often does not reach the most vulnerable. Areas within countries also face similar challenges. In Mali, Somalia and Sudan, for example, climate adaptation programmes have tended to avoid areas affected by conflict and fragility (Cao, 2022). This means highly vulnerable populations are being 'left behind' (UNSDG, n.d.).

## How to enable FCAS finance anticipatory and shock-responsive social protection programmes: three key asks

The multidimensional vulnerability of FCAS (see Figure 2) is about 40% higher than non-FCAS developing countries. FCAS need support to address the economic, environmental, social, infrastructural and institutional challenges that hinder their development and stability. We have identified three key asks to enable FCAS to address their fiscal constraints, climate vulnerabilities and domestic resource mobilisation limitations:

- Climate finance from the GCF, GEF, AF, CIF and other innovative climate finance mechanisms needs to be prioritised for the most fragile areas and countries within FCAS to increase spending on shock-responsive social protection. FCAS are disproportionately affected by the impacts of climate change. Climate finance can enable FCAS to implement adaptation and mitigation measures, such as early warning systems, disaster preparedness and sustainable agriculture practices. By reducing vulnerability and enhancing the capacity of FCAS to cope with climate-related shocks, these investments in climate resilience can contribute to shock-responsive agricultural practices.
- Official Development Assistance (ODA) for FCAS needs to be increased. Many FCAS have limited fiscal capacity and struggle to allocate sufficient resources to social sectors, including education, healthcare and social protection. Increased financial support from international partners and donors can enable FCAS to expand their social spending and strengthen shock-responsive social protection programmes. This assistance would help bridge the financing gap, and enhance the coverage and effectiveness of social protection initiatives. Ultimately, this will improve the wellbeing and resilience of the most vulnerable populations in FCAS.
- The debt support provided by the World Bank, International Monetary Fund, Paris Club<sup>2</sup> and other international mechanisms needs to be prioritised for FCAS so that they can increase spending on shock-responsive social protection. Many FCAS face significant debt burdens, which limit their fiscal space and ability to allocate sufficient resources to social protection programmes. By providing debt relief or restructuring, FCAS can free up funds to invest in social protection initiatives that respond effectively to shocks, ensuring the wellbeing and resilience of their populations.

<sup>2</sup> The Paris Club is an informal group of creditor countries whose objective is to find sustainable solutions to sovereign debt payment difficulties. It operates according to six foundational principles: solidarity, consensus, information sharing, case-by-case, conditionality and comparability of treatment.

## 4

# How to deliver anticipatory and shock-responsive social protection in FCAS

## Social protection instruments adopted by the FCAS

Social protection delivery instruments generally fall into the three categories below (World Bank, 2011). Figure 7 presents these categories in more detail.

- Social assistance/social safety net programmes with non-contributory interventions that help households and individuals manage enduring poverty, vulnerability and destitution. They are meant to cover vulnerable segments of the community.
- Social insurance programmes with contributory interventions that help households and individuals cope with unexpected shifts in income attributed to old age, diseases, disability and natural calamities. The users pay insurance premiums to be eligible for coverage.
- Labour market programmes that can either be contributory or non-contributory. These programmes help safeguard households and individuals against income loss due to unemployment or enable individuals to gain skills and link to labour markets.

All social protection instruments aim to address the vulnerability of poor households and individuals. But they vary in their form, coverage and efficiency in different climate contexts. Within the context of growing financial constraints in low-income countries, some mechanisms will be more effective in building resilience than others. Identifying the best one will allow resources to be used most efficiently, enhancing outcomes and preparing people for the climate crisis. In this section, we analyse the efficacy of social protection programmes in FCAS using data for 122 countries (ASPIRE, 2017). The analysis considers the following social assistance instruments from various programmes implemented by the countries:

- Conditional cash transfers (CCT)
- Unconditional cash transfers (UCT)
- Social pensions (SP)
- School feeding (SF)
- Public works (PW)
- Food and in-kind (Food)
- Fee waivers (FW)



Each country has its unique range of social protection programmes. In FCAS, 65.22% embrace public works programmes (Figure 8). Unconditional cash transfers rank next (56.52%), followed closely by food and in-kind programmes (52.17%).

## Effectiveness of different social protection instruments in FCAS

To analyse effectiveness and compare the performance of different social protection delivery instruments, we used indicators such as coverage, benefit incidence, benefit adequacy, average per capita transfer and BCR (see Box 4). This is based on the analytical framework introduced by the World Bank (2018) and Bharadwaj et al. (2021) to assess the effectiveness of various social assistance tools.

Figure 9 shows that social protection instruments cover only 14.46% of the extreme poor population in FCAS. In other countries, the coverage extends to 61.24% of the extreme poor. The limited coverage of such programmes in FCAS can be attributed to factors such as weak institutional capacity, insufficient funding and restricted access to data. Existing programmes may not reach many individuals who need help due to lack of awareness or institutional barriers preventing their access. Within FCAS, the coverage of social protection programmes varies. Public works programmes have the highest coverage at 20.48%, followed by social pension programmes at 13.81%, and food and in-kind programmes at 9.63%.

The benefit incidence of social assistance programmes in FCAS is 28.57%, while in other countries, it stands at 25.50%. FCAS cover a slightly higher percentage of the extreme poor through their social protection programmes compared to the other countries. This difference may be attributed to the higher incidence of poverty in fragile and conflict-affected situations, resulting in a larger pool of eligible individuals for coverage (Bharadwaj et al., 2021). Still, more than 70% of beneficiaries covered in FCAS are non-poor. When analysing the benefit incidence among different social protection instruments within FCAS, the public works programmes exhibit the highest incidence at 74.68%, followed by food and in-kind programmes at 53.10% and school feeding programmes at 38.01%.

Adequacy serves as a proxy to assess the magnitude of benefits in relation to benchmark values, indicating whether the size of the advantage is relatively small or large. In the case of social protection programmes, the benefit adequacy is significantly lower in FCAS at 3.5% compared to other countries (36.95%). This disparity can be attributed to limited funding and resource constraints in high-risk countries. As a result, many programmes within FCAS may provide only minimal assistance, which might not be sufficient to meet the basic needs of the beneficiaries (Bharadwaj, 2022).

The average per capita transfer value of social protection programmes in FCAS is significantly lower to that of other countries. Bharadwaj et al. (2021) demonstrated a negative association between the average per capita transfer and the multidimensional risk index of countries. This means that countries with lower risk tend to provide

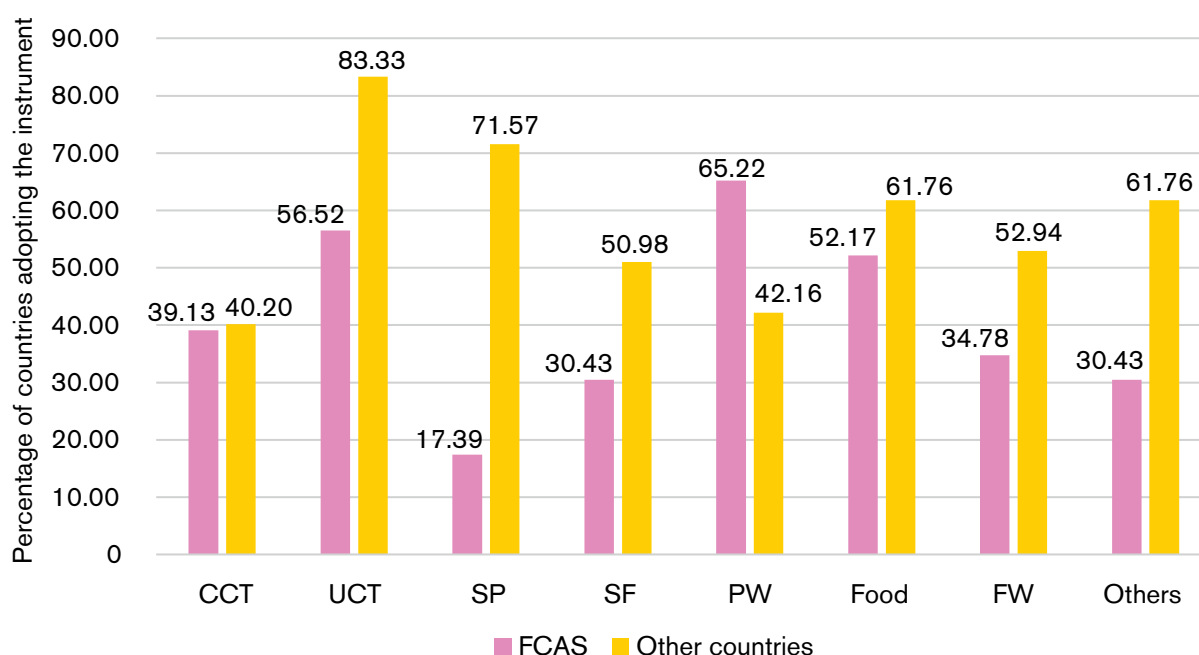
Figure 7: Categories of social protection programmes.

<b>Social assistance/ social safety nets (non-contributory)</b>	<b>Social insurance (contributory)</b>	<b>Labour market programmes (contributory and non-contributory)</b>
<ul style="list-style-type: none"> <li>▪ Unconditional cash transfers</li> <li>▪ Conditional cash transfers</li> <li>▪ Social pensions</li> <li>▪ Food and in-kind transfers</li> <li>▪ School feeding programmes</li> <li>▪ Public works</li> <li>▪ Fee waivers and targeted subsidies</li> <li>▪ Social services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Contributory old-age, survivor and disability pensions</li> <li>▪ Sick leave</li> <li>▪ Maternity/paternity benefits</li> <li>▪ Health insurance coverage</li> <li>▪ Other contributory insurance programme</li> </ul>	<ul style="list-style-type: none"> <li>▪ Active labour market programmes (training, employment intermediation, wage subsidies, etc.)</li> <li>▪ Passive labour market programmes (unemployment insurance, early retirement incentives, etc.)</li> </ul>

Source: World Bank (2018).



Figure 8: Social protection instruments adopted by FCAS and other countries.



## BOX 4. UNDERSTANDING THE INDICATORS IN THE ANALYSIS

**Coverage** is the ability of the programme to reach the extreme poor (living on <US\$1.9 a day), from among the most vulnerable populations in a country. It helps measure target accuracy and exclusion errors; the higher the value, the better the programme coverage. Coverage performance is determined by factors such as better definition of the target population, better institutional capacity to accurately target beneficiaries and robust monitoring systems. The countries with lower risks have superior institutional capacities and hence can achieve higher target accuracies.

**Benefit incidence** explains to what extent programmes exclude the non-poor; a higher value reflects greater efficacy. Countries with high risk perform better on this indicator compared to those with low risk. Higher inclusion of non-poor in the programmes of lower-risk countries could be due to adoption of a policy of universal social assistance coverage.

**Benefit adequacy and average per capita transfer**, represent the 'size of the benefits transferred' to the target population. Countries with better financial resources perform well on these parameters compared to poorer countries (that also happen to be the high and very high risk countries).

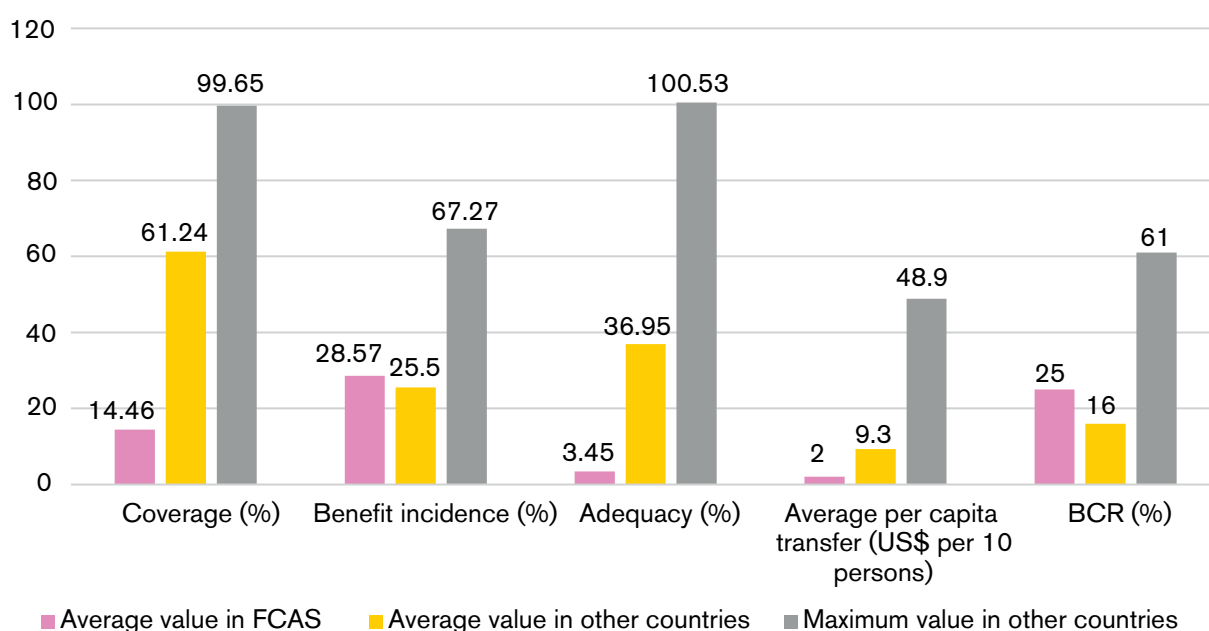
**Benefit-cost ratio (BCR)** indicates the reduction in the poverty gap achieved for each dollar spent on social assistance programmes. The higher the value, the greater cost effectiveness of the programme. BCR value is greater for countries with higher risks (very high risk and high risk) than countries with lower risks. Despite better coverage and higher transfer amounts, the programmes of lower-risk countries have lower BCR values.

larger average benefits, and vice versa. The limited financial capacity of FCAS is a key factor that contributes to the lower average per capita transfer value. Among FCAS, the highest average per capita transfer value is observed in social pension programmes (US\$0.6), followed by public works programmes (US\$0.21).

The BCR for social assistance programmes in FCAS is higher compared to other countries. This indicates

that FCAS can achieve a greater reduction in poverty for each dollar spent on social assistance programmes compared to other countries. In FCAS, the BCR value is highest for public works programmes (0.75), followed by food and in-kind programmes (0.63) and school feeding programmes (0.40).

Figure 9: Efficacy of social protection instruments in FCAS.



## Put resources behind delivery mechanisms that work in FCAS

Our analysis also tried to understand how well social protection mechanisms in FCAS help deliver preventive, protective, promotional and transformative functions of climate resilience. Our comparative analysis showed the following distinct patterns:

- FCAS (such as South Sudan, Chad and Ethiopia) had the highest BCR values for social protection instruments. For every dollar spent on social protection, higher-climate-risk countries reduced more poverty and vulnerability than lower-risk countries.
- Public works programmes present a distinct pattern from other instruments. They show a better performance in FCAS (eg Chad, South Sudan and Ethiopia), in terms of coverage, benefit incidence, benefit adequacy, BCR and average per capita transfer.
- School feeding, public works, and food and in-kind programmes in the higher-risk countries have high BCR — 0.76, 0.68 and 0.62, respectively.

Most countries prefer cash transfers and social pensions (Figure 8). But when designing social assistance programmes, they need to invest in instruments that are better suited to their context rather than adopting a 'one size fits all' approach. Lack of diversity in instruments can deter achievement of universal social protection coverage. FCAS cannot afford large-scale cash transfers and social pensions that target universal coverage; these instruments are expensive, demanding higher average per capita transfer

to produce intended results. Under such constraints, governments and funding agencies should consider allocating their resources as follows:

### Instruments that show better performance in FCAS contexts.

For example, public works programmes and food and in-kind transfers perform better in higher-risk countries (such as Chad, South Sudan and Ethiopia) in terms of coverage, benefit incidence, benefit adequacy, BCR and average per capita transfer. These programmes are accordingly more appropriate in those contexts and could be given higher consideration than other instruments. Public works social protection programmes in FCAS can address immediate livelihood needs by providing income-generating activities for the affected population. Public works programmes in FCAS often focus on rebuilding and rehabilitating critical infrastructure, such as roads, schools, hospitals and water supply systems (UNDP, 2016). Similarly, in FCAS, access to basic necessities, including food, can be severely disrupted due to conflict, displacement and disrupted supply chains. Food and in-kind programmes aim to address immediate food security needs by providing essential food items directly to affected populations. These programmes ensure that vulnerable individuals and communities have access to nutritious food during times of crisis (Brück et al., 2019).

**A mix of instruments.** Instruments that require less average per capita transfer and produce higher BCR could be implemented along with cash transfer programmes. For example, public works, food and in-kind, and school feeding have substantially higher BCR and less average per capita transfer values than cash transfer programmes. FCAS could consider employing these instruments along with cash transfers.

## Address inequity, exclusion and marginalisation in the delivery approach

Social protection programmes in FCAS are often marred by targeting, exclusion, gender inequality, marginalisation and lack of transparency. These issues can be tackled by mainstreaming gender considerations and the risks faced by other marginalised groups in an anticipatory and shock response framework within social protection programmes. This will require the following:

**Focus on marginalised groups:** Social protection programmes will need to factor in the diverse needs of women and men, as well as more vulnerable groups such as single women, elderly people, children and disabled people. Eligibility for social assistance programmes could be underpinned by support for a universal database in FCAS that includes exposure to climate or natural hazards (along with socioeconomic vulnerability). This would allow setting priorities for targeting criteria. In this way, individuals exposed to high climate risks could typically get access to a range of resilience initiatives through a single registry. This could also provide an opportunity to enhance the effectiveness and complementarity between different social protection programmes.

**A rights-based framework and decentralised implementation architecture:** The design features of national-level social protection programmes could include a rights-based social protection system and decentralised implementation. Rights-based social protection systems (such as rights-based access to decent work, food security, shelter and so on) assure a basic safety net before and during any crisis. FCAS will need sufficient financial resources to cover all eligible vulnerable populations and develop effective, transparent and accountable delivery mechanisms. Well-functioning, decentralised national social protection programmes will be able to distribute benefits more effectively in a pre-emptive manner during crises. This, in turn, will help reduce discontent within the community and create stability in the long run.

**Robust management structures:** Many FCAS have a plethora of small social protection programmes managed by a range of ministries with limited coordination. An overhauling of management structures is needed to establish a comprehensive social protection system with cost-effective and efficient delivery before and during a crisis. This overhauling could involve: (i) developing nuanced approaches to delivery mechanisms to ensure anticipatory response; (ii) revitalising social protection programmes to prevent communities from slipping back into poverty after a crisis; and (iii) strengthening progress towards universal social protection.

**Portability:** Distress migration and displacement are immediate fallouts of conflict and fragility, and made worse by climate impacts. However, most social protection programmes do not recognise migrants within their ambit of coverage. Nor do they address the implications for migrants or their families left behind. As a result, distress migration without any safety net or protection creates consequences for both migrants and family members left behind. Families/individuals need portable entitlements — before, during and after a crisis. This can be ensured by making use of a national database or a registry.

## Provide tools, skills and capacity-building support

The anticipatory risk responsiveness of social protection instruments depends on robust climate information systems. Social protection programmes also need capacity to identify and pre-register beneficiaries, and implement anticipatory actions, before the disaster occurs. Social protection systems need to be informed through periodically updated projections of climate impacts on different geographies and across temporal scales to implement well-planned, timely and targeted responses. However, FCAS face significant challenges in terms of their climate and environmental data capabilities and access to hydro-meteorological services. This limitation results in inadequate early warning systems, making them more vulnerable to climate-related risks and disasters.

Investment is needed in climate information and environmental data capabilities in FCAS, as well as early warning and decision-support systems that integrate both 'top-down' and 'bottom-up' approaches. On its own, a top-down approach can project the impacts and risks of climate change. But this kind of assessment does not identify who is vulnerable and how risks can be addressed. Bottom-up approaches, on the other hand, integrate information generated at community level through participatory processes. The quantity and timeliness of information will contribute to improved forecasts and early warnings, as well preventing loss. It will also help decision makers manage new risks and develop forecast-based financing applications for climate and associated crises.

## 5

## Way forward

Shock-responsive social protection programmes in FCAS can play a critical role in protecting livelihoods, strengthening adaptive capacity and supporting sustainable development. By integrating climate change considerations into social protection interventions, these programmes can help vulnerable communities in FCAS better cope with climate-related shocks, reduce their exposure and vulnerability, and promote long-term sustainable development in the face of a changing climate. In an FCAS context, shock-responsive social protection programmes can also support emergence of resilient social institutions from within the society and contribute to adaptive peacebuilding efforts and establishing sustainable peace.

But FCAS have limited fiscal space, resources and tools/technology to implement these schemes at scale and provide comprehensive cover to all the vulnerable population. We call on the United Nations Framework Convention on Climate Change, the L&D Transitional Committee, developed countries, the World Bank and other development agencies to adopt a comprehensive approach to provide financial assistance to FCAS to scale up shock-responsive social protection programmes. This would entail three key actions in a timebound manner to help FCAS transition to stable societies:

- Direct debt relief and restructuring from international mechanisms towards FCAS to enhance their spending on social protection
- Allocate climate finance from various mechanisms to the most vulnerable areas and countries within FCAS to support their adaptation efforts and increase investment in shock-responsive social protection, and
- Increase ODA and private sector investments in FCAS, enabling them to strengthen their social sectors and enhance the coverage and effectiveness of social protection programmes.

In addition, FCAS will need support for development of social registry, tools, skills and guidance to integrate climate information and early warning and anticipatory approaches into planning and decision making at the local level. With this comprehensive support, FCAS will be able to deal with fiscal constraints, climate vulnerabilities and resource limitations for promoting resilience and sustainable development.

# Annex

## List of countries considered for multidimensional risk analysis

FCAS	LDCS (NON-FCAS)	DEVELOPING (NON-FCAS)	DEVELOPED (NON-FCAS)
Afghanistan	Angola	Algeria	Korea, Republic
Burkina Faso	Bangladesh	Antigua and Barbuda	Kuwait
Burundi	Benin	Argentina	Malaysia
Cameroon	Bhutan	Bahamas	Maldives
Central African Republic	Cambodia	Bahrain	Mauritius
Chad	Djibouti	Barbados	Mexico
Comoros	Gambia	Belize	Mongolia
Congo	Guinea	Bolivia	Morocco
Congo, Democratic Republic	Kiribati	Botswana	Namibia
Eritrea	Lao, People's Democratic Republic	Brazil	Nauru
Ethiopia	Lesotho	Brunei Darussalam	Nicaragua
Guinea-Bissau	Liberia	Cabo Verde	Oman
Haiti	Madagascar	Chile	Pakistan
Iraq	Malawi	China	Palau
Lebanon	Malaysia	Colombia	Palestine
Libya	Mauritania	Costa Rica	Panama
Mali	Nepal	Côte d'Ivoire	Paraguay
Marshall Islands	Rwanda	Cuba	Peru
Micronesia	Sao Tome and Principe	Dominica	Philippines
Mozambique	Senegal	Dominican Republic	Qatar
Myanmar	Sierra Leone	Ecuador	Saint Kitts and Nevis
Niger	Tanzania	Egypt	Saint Lucia
Nigeria	Togo	El Salvador	Saint Vincent and the Grenadines
Papua New Guinea	Uganda	Equatorial Guinea	Samoa
Solomon Islands	Zambia	Eswatini	Saudi Arabia
Somalia		Fiji	Seychelles
South Sudan		Gabon	Singapore
Sudan		Ghana	South Africa
Syria		Grenada	Sri Lanka
Timor-Leste		Guatemala	Suriname
Tuvalu		Guyana	Thailand
Venezuela		Honduras	Tonga
Yemen		India	Trinidad and Tobago
Zimbabwe		Indonesia	Tunisia
		Iran	Turkey
		Jamaica	Turkmenistan
		Jordan	United Arab Emirates
		Kenya	Uruguay
		Korea, Democratic People's Republic	Viet Nam
			Australia
			Austria
			Belgium
			Bulgaria
			Canada
			Croatia
			Cyprus
			Czech Republic
			Denmark
			Estonia
			Finland
			France
			Germany
			Greece
			Hungary
			Iceland
			Ireland
			Israel
			Italy
			Japan
			Latvia
			Lithuania
			Luxembourg
			Malta
			Netherlands
			New Zealand
			Norway
			Poland
			Portugal
			Romania
			Slovakia
			Slovenia
			Spain
			Sweden
			Switzerland
			United Kingdom
			United States of America

## Indicators covered in the multidimensional vulnerability assessment

COMPOSITE INDICATOR	PARAMETERS COVERED
Institutional Capacity Index	Corruption Perception Index and Governance Effectiveness Index
Vulnerable Groups Index	Uprooted people, people living with HIV/AIDS, incidence of communicable diseases, child mortality rate, people affected by disasters and food availability score
Socioeconomic Vulnerability Index	Human Development Index, Multidimensional Poverty Index, Gender Inequality Index and Income Gini Index
Human Hazard Index	National power conflict intensity and subnational conflict intensity
Natural Hazard Index	Physical hazards to natural disasters, droughts probability, and historical impact and exposure to epidemics
Infrastructure Index	Communication facilities, physical connectivity and Access to Healthcare Index
Economic Dependency Index	Public aid per capita, net ODA received and volume of remittances

## Data sources for the indicators

European Commission, INFORM Report 2022 database. <https://drmkc.jrc.ec.europa.eu/inform-index>

UNCTAD (2021) The Least Developed Countries Report 2021. <https://unctad.org/webflyer/least-developed-countries-report-2021>



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Fragile and conflict-affected states (FCAS) are home to nearly 1 billion people, almost double the number from 20 years ago. Shock-responsive social protection programmes in these states can play a critical role in protecting livelihoods, strengthening adaptive capacity and supporting sustainable development. But FCAS have limited fiscal space, resources and tools/technology to implement these schemes at scale and provide comprehensive cover to all vulnerable populations. They need debt relief, climate finance support and financial assistance to increase spending on shock-responsive social protection. In addition, they need support to integrate climate information and early warning and anticipatory approaches into planning and decision making at the local level.

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