



Shock-Responsive Social Protection in the Caribbean Aruba Case Study

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Preface

This case study was undertaken by WFP Caribbean as part of the research project Shock-Responsive Social Protection in the Caribbean (2018-2020). It is also informed by the work of the World Bank on disaster risk financing in Aruba. The purpose of the research is to generate evidence and inform practice for improved emergency preparedness and response linked to social protection systems. All case studies and research products can be found at www.wfp.org/publications/research-programme-shock-responsive-social-protection-caribbean.

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Disclaimer

The opinions expressed in this report are those of the authors and do not necessarily reflect those of the World Food Programme or the Government of Aruba. Responsibility for any inaccuracies rest solely with the authors.

Executive Summary

Introduction

Social protection is a powerful instrument for reducing poverty and protecting people from the risks and shocks that they face throughout their life cycle. **Social protection also can play a role in preparing for and responding to larger scale shocks**, such as financial crises and disasters. This role is what we refer to as "shock-responsive social protection".

The impacts of the COVID-19 have highlighted the importance of adaptable and scalable social protection programmes. In the Caribbean, the pandemic has triggered an economic crisis that called for rapid and innovative approaches to support the well-being of hundreds of thousands of people. In response, all countries and territories in the region have introduced, adapted or expanded social protection programmes.

This case study examines the use of social protection and other measures in response to COVID-19 in Aruba, highlighting lessons and opportunities going forward. It considers the opportunities and limitations of using social protection in response to future shocks and disasters. This case study, alongside one in Sint Maarten, are part of a broader regional research programme of WFP Caribbean "Shock-Responsive Social Protection in the Caribbean," which has produced six case studies, a literature review and a synthesis report. This research aims to improve the knowledge base and make recommendations for strengthening preparedness and response capacities in the region, focusing on the role of social protection to play a greater role in support people impacted by shocks and building resilience. It is based on a desk review and interviews with key informants in Aruba that were conducted remotely between July and August 2020.

Risks and disaster risk management in Aruba

While less exposed to risks related to natural hazards compared to other islands in the region, Aruba is highly vulnerable to global and regional economic shocks. Aruba has also felt the effects of instability in Venezuela through decreased trade and an increase in migration to Aruba. Of the 23 risks that are being monitored on the island, flooding due to excessive rainfall is the most frequent hazard. While not a 'disaster' in the typical use of the term, the crisis caused by the global COVID-19 pandemics is the most significant shock in decades, with immediate socio-economic consequences that are likely to reverberate for years.

Disaster risk management (DRM) in Aruba is enshrined in law, with a relatively well-defined institutional framework, coordination mechanisms and disaster management processes. However, in the absence of major disasters in the past, the DRM system has not yet undergone as severe a test as other Caribbean countries, such as those affected by Hurricanes Irma and Maria in 2017. While in the region there has been a move towards more comprehensive disaster management, including preparedness and risk reduction, **DRM in Aruba is largely focused on post-disaster**

response. Aruba has relatively limited options for financing costs arising from disasters, with funding for a major disaster often ad hoc and sourced post manner from international organisations and the Netherlands.

The Department of Social Affairs (DSZ), in charge of Aruba's social assistance programmes, has a specific role within the national DRM Plan and chairs Cluster 4, which is responsible for providing information to community, shelter, food and basic needs, aftercare, repatriation of remains and community awareness. The DSZ is also responsible for coordinating with civil society organizations implementing actions in Cluster 4, including those that typically provide relief in times of emergency.

Social protection in Aruba

The social protection system in Aruba comprises a contributory social security system and non-contributory social assistance and social services. While social protection benefits are legal entitlements governed by various national laws, the social assistance system follows the residual welfare model, which is based on the premise that government welfare institutions only come into play as temporary support when all other social security networks, including family, religious and civil society organisations and the private sector, have been exhausted or are unable to meet the needs of the individual. Social security and social assistance in the form of financial aid are directly delivered by public entities whereas most social services are provided by civil society organizations that are subsidized by public funds to a limited extent, based on a partnership principle regulated by the Social Welfare Subsidy Law.

Social assistance

The Department of Social Affairs (DSZ, Directie Sociale Zaken) within the Ministry of Labour and Social Affairs is mandated by law with the administration and delivery of public assistance, social work, social-psychological services, community development work, as well as social policy analysis and planning. The implementing capacity of DSZ is relatively limited, and there is a strong focus on a case management approach. The department has a staff of about a hundred people covering a range of services from case management to psychosocial support and legal aid, as well as policy making.

The main form of monetary social assistance provided by the government (*Bijstand*) consists of a cash transfer benefit that varies depending on needs and other criteria. This assistance targets households in need with no or limited income and persons with disabilities who are unable to work. As of February 2020, approximately 1,500 beneficiaries were receiving cash transfers under *Bijstand*, including household and disability cash transfers, as well as a small number of foster child benefits. This number represents roughly 2.5% of the country's population who meets the citizenship eligibility requirement. The coverage of the programme can be considered rather limited, especially when considering that one out of every five households (20.7%) in Aruba is deemed poor. The COVID 19-pandemic led to a sudden increase in applications for financial assistance, bringing the number of *Bijstand* beneficiaries to around 2,500 in June 2020.

The targeting of household transfers is based on a verified means test. In addition to that, persons must be of Dutch nationality and born in Aruba, or of Dutch nationality and have been a resident of Aruba for at least 3 years prior to application. Transfers are conditional, in the sense that persons are required to register as job seekers and encouraged to go back to work or carry out activities to improve labour market reintegration skills, unless they are exempted. In principle, the programme aims to target families under temporary income shocks and is not intended as a long-term poverty reduction benefit. However, as a result of low job prospects, many beneficiaries - the majority of which are single women head of households - remain on the welfare roll for an extended period.

The sustainability and solvency of social assistance are largely dependent upon the state of the public finances. Social assistance programmes implemented by DSZ are funded through the government budget. Given the nature of social assistance as an entitlement, the government is legally bound to ensure the funding of the programme, even if the costs increase suddenly, for example in an economic crisis.

A vast range and number of social services and social assistance benefits in Aruba are delivered by non-governmental organisations (NGOs), which provide services around education, nutrition, parenting advice, childcare, violence against women and children and other topics. NGOs provide food assistance, near-cash benefits, advocacy and services, often to complement the government's social assistance efforts and in support of disaster planning.

Social insurance

The Social Insurance Bank (SVb, Sociale Verzekeringsbank) is mandated by law with the implementation of the National Health Insurance and social security schemes. The social security system in Aruba consists of employees' insurance schemes, including accident insurance, severance pay (*Cessantia*) and sickness insurance, as well as general insurance schemes, which comprise the General Old Age Insurance and the General Widow and Orphan Insurance as well as general health insurance. The universal national health insurance, which was introduced in 2001, provides a basic package of mostly curative medical and paramedical services and medications to every registered resident of Aruba, with mandatory enrolment regardless of health or income. **There is currently no long-term unemployment benefit scheme in place in Aruba.** *Cessantia*, a severance pay, is a one-off cash payment under the employees' insurance scheme, which the employer must pay to an employee if the employment ends through no fault of the employee.

Shock-responsive social protection in Aruba in response to COVID-19

Before the COVID-19 crisis, Aruba had limited experience with scaling up social protection programmes in response to major shocks, possibly because of its relatively low exposure to natural hazards and the strength of its tourism industry in recent decades.

Aruba's long-standing safety net programme, *Bijstand*, was both modified and expanded to include new recipients, when applications dramatically increased as a result of COVID-19. It appears

that COVID-19 prompted the largest increase for demand in financial assistance ever seen by the Department of Social Assistance, creating a major backlog in the processing of applications. The main bottlenecks to meeting the increased demand for assistance arose from the complicated targeting and registration protocols and especially their associated administrative process, which strained the limited department staff. At the time of the study, DSZ had been able to increase response time, but managing the 10-fold increase in applications per month remained a challenge. Eligibility and application process for the programme were simplified by temporarily suspending the requirement to register with the Labor Department.

Two new programmes for formal workers were introduced – the Emergency Social Assistance Fund (FASE) and the Wage Subsidy - relying on the country's large social security and labour related institutions and systems. FASE was introduced to provide financial compensation for employees who have been laid off or whose working hours have been reduced as well as to self-employed such as musicians, taxi drivers, bus drivers and artists impacted by the economic fallout. Applicants who qualify under the temporary scheme receive AWG 950 monthly for a maximum of three months. The Wage Subsidy, implemented by the Social Insurance Bank, is a payroll relief plan, established by the government as financial support to local companies facing a decline in sales of 25% or more due to COVID-19. The intervention was set up at the recommendation of the Netherlands as part of a package of initial financial support to Aruba. It was the first time that the Social Insurance Bank, which normally is not part of disaster response structures, had to manage and scale up programmes in response to a crisis.

There has been a certain degree of coordination with NGOs to provide benefits to those who are not eligible for the government-managed programmes. For instance, NGOs scaled up in-kind food assistance and food vouchers significantly, along with other efforts. While prior to COVID-19, Fundacion Pa Nos Comunidad (FPNC) was providing food packages to between 200-250 households per month, as of August 2020, 4,558 households were receiving this type of assistance. Many beneficiaries were referred by the DSZ, which used to send 45-50 persons per month to FPNC before the pandemic started, a number that increased to an average of 300 households per month between mid-March and mid-June 2020. NGOs provided assistance to a significant number of undocumented migrants.

Towards a more shock-responsive social protection system in Aruba

The crisis triggered by the COVID-19 pandemic has revealed some limitations of the social protection system in Aruba in scaling up to meet increased demand following major shocks. At the same time, there are several opportunities for making social protection flexible to support people impacted by disasters and economic shocks. Aruba has highly institutionalized and well-coordinated disaster risk management structures, which already integrate some of the relevant social protection institutions. However, Aruba has a residual welfare state approach, with government safety nets considered as "last resort" when other community and family support has been exhausted. In spite of this approach, formal social assistance does not play a large role in disaster response. Civil

society organizations are central in delivering social protection as they are mandated with the provision of social services, and they have played a crucial role in providing assistance in the context of the COVID-19 pandemic. Coordination between government and civil society in the provision of social assistance in the context of COVID-19 seems to have worked relatively well, in spite of some challenges, possibly due to the DSZ having a long-standing relationship with many NGOs.

Strengthening analysis on poverty, vulnerability and risk is an opportunity to inform assistance to people impacted by shocks, whether through social protection or other avenues.

As one example, there are difficulties estimating the number of people who have been or may be impacted by specific shocks, owing to the lack of a poverty line, a limited understanding of differentiated vulnerabilities and limited data on vulnerable people and households. A stronger understanding of impacts and vulnerability to different shocks could also enable a better calibration of the most appropriate types of assistance. For instance, it is not clear to what extent any of the COVID-19 social assistance and social security response programmes considered specific the vulnerabilities of the elderly.

Information management appears to be one of the biggest challenges in the implementation of social programmes to respond to COVID-19.

While government departments and NGOs have digitalized registries to manage day-to-day operations, most faced issues adapting them to the COVID-19 response. Data-sharing could mitigate risks of duplicating or missing people needing assistance. FPNC and the Red Cross are able to compare their beneficiary databases, but both organizations have restrictions in sharing data with each other due to privacy concerns. Sharing of data between NGOs and the government is particularly difficult given that a large part of NGOs beneficiaries are undocumented migrants.

Streamlining enrolment processes is another avenue to make systems more rapid and efficient in the future.

Application, verification and enrolment processes were simplified to respond to COVID-19, but they appear still to be somewhat burdensome for applicants to both government and NGOs programmes. Programmes did not utilise online applications systems, which in the case of COVID-19 could have helped given social distancing protocols.

Finally, the financing of regular social protection is a long-term challenge for Aruba, and the country also has very limited options for financing contingent liabilities, such the increased demand arising from large economic shocks.

Recommendations

The COVID-19 crisis has highlighted Aruba's social and economic vulnerabilities. As the country moves to explore alternative development paths that are less reliant on tourism, it would be valuable to consider the role social protection might play both in reducing vulnerabilities to large shocks as well as in responding to them, complementing the critical role of civil society. Here we provide a number of recommendations that might support the Aruban government and civil society in exploring the use of the social protection system to manage and respond to shocks.

1. Strengthen understanding and awareness of social risks and vulnerabilities and the role of social protection instruments in managing them

Risks and Hazards: A first step would be increase government and other stakeholders' understanding and awareness of risks and vulnerabilities that have a potential for widespread social and economic impacts, as well as the role formal and informal social protection instruments might play in managing them. In the Caribbean such analysis tends to revolve around important issue of natural hazards. In Aruba it is important to widen this focus to other important: economic shocks linked to the reliance on tourism; Food security: Given the country's need to import large quantities of food; higher frequency, lower intensity or localized natural-hazard related risks: Smaller scale covariate shocks and stressors are likely to create impacts, especially for vulnerable groups, that are not as visible; and, climate change which is likely to intensify the risks described above and an understanding of compound risks will be key.

Vulnerability and Poverty: We suggest exploring options to define a poverty line and conducting assessments to understand vulnerabilities of different groups. Understanding these impacts is the important for shock-responsive systems, as it allows to reach those who are most likely to need support more quickly and efficiently. The establishment of a social registry, which would provide baseline data on the broader population, could be considered in the medium to long-term future. Such a registry can be a powerful tool to support disaster preparedness and response and recovery efforts.

2. Develop social protection policies, programmes and instruments that take into account risks from shocks

While the social protection institutional structures and entitlement are well established in the country's legal framework, social assistance benefits are based on individual review of cases making it difficult to scale up in larger shocks. The legal right to social assistance and social security to the residents of the country is a hallmark of a highly developed social assistance system; it could be complemented by a specific policy and legislation that considers its role in dealing with social and economic impacts of large shocks.

The government might want to explore developing a shock-responsive social protection strategy or policy that complements existing policies and defines the role of social protection in dealing with the impacts of covariate shocks, and in reducing the risks associated with these shocks. Moreover, investments in regular social protection programming, such as the development of information systems or electronic payment mechanisms, can also benefit shock responses. For instance, an integrated registry combining beneficiary data from different programmes and departments could be used to capture data on beneficiaries of temporary emergency programmes and would facilitate the cross-referencing of data on these beneficiaries with that on regular social protection beneficiaries. Here we make some recommendations for areas that could be improved in the short, medium and long term and would contribute to such goals.

3. Assess feasibility and adequacy of different types of response to shocks in advance

Drawing on the experience of COVID-19 responses in 2020, we recommend considering ways in which social protection programmes can respond to natural hazards and other types of emergencies, including taking into consideration the important role NGOs play in the delivery of support during the emergencies.

We recommend exploring the following options:

- Prioritize the plans for a country-wide, formal, contributory unemployment programme, given the large exposure to economic shocks.
- Assess ways to improve the flexibility and scalability of current social assistance benefits, possibly allowing for horizontal and vertical scale up to address the needs of vulnerable persons and households. Develop capacity and rapid assessment tools to better inform the type of support needed in emergencies.
- Consider expanding the range of available modalities of assistance and delivery mechanisms for future emergency responses (e.g. electronic food vouchers, cash transfers).
- In collaboration with NGOs, explore options for establishing temporary cash grants or vouchers in times of crisis that can support migrants and refugees, as an interim solution while more permanent ones are found.
- Explore the feasibility of taking part in agreements on portability of benefits across countries for migrants.

4. Explore the role of social protection as a recovery and long-term vulnerability and risk reduction tool

The COVID-19 crisis has highlighted the vulnerabilities Aruba faces. Because of its extended and open-ended duration, it has also prompted a different kind of risk awareness, and possibly, a will to explore alternative development paths that are less dependent on tourism. We recommend exploring the role social protection can play as one of the tools for Aruba to diversify its economy and reduce reliance on tourism, for instance by developing long-term programmes that allow people and businesses to transition into new industries.

While the government swiftly set up new programmes to respond to the impacts of COVID-19 (FASE and the Wage Subsidy), these programmes encourage people to remain employed or within the same sector, which is helpful in the short term but be less so in the long term. To ensure flexibility of the labour market while also protecting people, a more direct safety net could be more efficient. Possible interventions that the government could consider in order to increase resilience and reduce vulnerabilities include:

- A post COVID-19 recovery programme that transfers incomes and new skills, especially for youth, in the form of a conditional cash transfer, linked to active labour market programmes, and creating skills
- A cash transfer plus, or employment-based programme that promotes behaviours associated with diversifying livelihoods and reducing risks, such as small agriculture, a vegetable gardens programme, etc. linked to food production or tourism
- Linkages to the interventions of civil society organizations can create synergies and provide additional benefits. For instance, small scale agriculture or gardens can provide products to food banks.

5. Develop a solid, long-term, risk informed financing strategy for social protection

Financing of regular social protection and disaster risk financing are amongst the most crucial issues Aruba faces in developing systems that more adequately address poverty, vulnerability, and exclusion in normal times as well as in emergencies. Our recommendations here are geared towards developing a disaster risk financing strategy, although it will be important to consider how such strategy sits alongside the regular financing of social protection.

- Continue to develop a comprehensive disaster risk financing strategy.
- Link the disaster risk financing framework to shock-responsive social protection.
- Explore alternative, layered financial instruments.
- Explore innovative instruments such as tourism-based parametric insurance.
- Consider developing a continuously maintained database of disaster-related loss and damage, linked to a broader asset management database, as a starting point for tracking post-disaster expenditures and closing the fiscal gap in ensuring robust post-disaster response.
- Explore ways to expand insurance availability and affordability to address the needs of vulnerable populations.

For the table of recommendations please go the next page.

Table 1: Recommendations for making social protection systems more shock-responsive social protection

Preparedness category	Short- and medium-term recommendations	Medium to Long-term recommendations
<p>Policy, programmes and institutions</p> 	<ul style="list-style-type: none"> • Consider developing protocols for scale up of programmes during disasters • Prioritize the plans for a country-wide, formal, contributory unemployment programme, given the large exposure to economic shocks 	<ul style="list-style-type: none"> • Explore developing a shock-responsive social protection strategy or policy that defines the role of social protection in dealing with covariate shocks and in building resilience • Consider establishing social protection programmes that increase resilience and reduce vulnerabilities (e.g. recovery programmes that transfer incomes, new skills and/or contribute to livelihood diversification)
<p>Information management</p> 	<ul style="list-style-type: none"> • Conduct a comprehensive analysis of risks and vulnerabilities and the role that formal and informal social protection instruments might play in managing them • Establish data sharing agreements between government and non-government organizations to improve sharing of beneficiary data in emergencies • Develop a plan for post-disaster needs assessments that identify the main needs of communities and households • Strengthen the management information system (MIS) for all DSZ programmes 	<ul style="list-style-type: none"> • Consider establishing a national registry (or social registry) that connects the different databases under the Ministry of Labor and Social Assistance and the SVB • Create an MIS for all programmes in the Ministry of Labour and Social Affairs. • Assess the feasibility of a central or common database between government and civil society • Develop capacity and rapid assessment tools to better inform the type of support needed after shocks

Preparedness category	Short- and medium-term recommendations	Medium to Long-term recommendations
<p>Targeting</p> 	<ul style="list-style-type: none"> • Develop protocols for simplified eligibility criteria for social assistance benefits in times of crisis 	<ul style="list-style-type: none"> • Adjust the targeting of social assistance benefits to include consideration of people's vulnerabilities to different shocks • Develop digital systems, including online application for beneficiaries both for normal and crisis times • Align the targeting criteria of different government and non-government social assistance programmes to ensure better inclusion of vulnerable groups and less duplication of support in normal and crises times • Explore options to define a poverty line and conduct assessments to understand vulnerabilities of different groups
<p>Delivery mechanisms</p> 	<ul style="list-style-type: none"> • Assess ways to improve the flexibility and scalability of current social assistance benefits to address the needs of vulnerable persons and households after shocks • Develop protocols for awareness, feedback, and grievance mechanisms during emergencies, to enable easier communication with potential and actual beneficiaries • Assess options to reduce applications processing times such as streamlining applications and making online options available 	<ul style="list-style-type: none"> • Consider mechanisms to pay cash transfers through banks rather than the post office • Enhance surge administrative capacity to process benefits in emergencies • Consider ways to support volunteers delivering services, including through psychosocial support

Preparedness category	Short- and medium-term recommendations	Medium to Long-term recommendations
<p>Coordination</p> 	<ul style="list-style-type: none"> • Improve communication and planning within the social protection institutions among themselves (DSZ, SVb, DPL, DAO) • Run simulations to test coordination protocols on social assistance in emergencies • Consider ways to incorporate NGO representation in the DRM structures & frameworks 	<ul style="list-style-type: none"> • Encourage collaboration among various stakeholders (e.g. NGOs, private sector) in crisis preparedness, especially aligning information systems and data-sharing in advance of a shock • In collaboration with NGOs, explore options for establishing temporary cash grants or vouchers in times of crisis that can support migrants and refugees
<p>Finance</p> 	<ul style="list-style-type: none"> • Explore alternative, layered risk financing instruments including innovative instruments such as tourism-based parametric insurance 	<ul style="list-style-type: none"> • Continue to develop a comprehensive disaster risk financing strategy including a framework that links DRF to shock-responsive social protection • Explore establishing a continuously maintained database of disaster-related loss and damage for tracking of post-disaster expenditures • Explore ways of expanding insurance availability and affordability

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List of acronyms

AOV	General Old Age Insurance
AWG	Aruban florin
AWW	General Widow and Orphan Insurance
AZV	General Health Insurance
CDEMA	Caribbean Disaster Emergency Management Agency
DAO	Department of Labour and Investigation
DPL	Departamento di Progreso Laboral
DRM	Disaster risk management
DSZ	Department of Social Affairs
FASE	Emergency Social Assistance Fund
FCCA	Fundacion Cas Pa Comunidad Arubano
FPNC	Fundacion Pa Nos Comunidad
GDP	Gross domestic product
GNI	Gross national income
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
LVMZ	National Ordinance on Social Care
MIS	Management information system
NGO	Non-governmental organisation
OPM	Oxford Policy Management
RBA	Crisis Management Office
SVb	Social Insurance Bank of Aruba
USD	United States Dollar
WFP	World Food Programme

1 Introduction

Governments and aid organisations around the world and in the Caribbean are increasingly utilising social protection systems to respond to emergencies and crises, including in response to hurricanes Maria and Irma in 2017 and to COVID-19 in 2020. Social protection programmes that provide assistance to vulnerable households, and the systems that underpin these programmes, may have a role to play in preparing for, responding to and mitigating the impacts of natural hazards such as floods, hurricanes, droughts and ‘man-made’ shocks of conflict, economic crisis and migration. We refer to this as ‘shock responsive social protection’.

Analysing options ahead of a disaster or crisis can enable governments and their partners to better prepare for and inform the use of social protection systems and programmes in future responses. The role of social protection systems in responses in the Caribbean was not planned prior to the events. Preparing for shocks can increase the timeliness and efficiency of responses and reduce risks to the long-term sustainability of the social protection system. Understanding options for disaster and crisis response as well as for reducing and managing risks is crucial.

The impacts of the COVID-19 pandemic have highlighted the importance of adaptable and scalable social protection programmes. In the Caribbean, the global COVID-19 pandemic has triggered an unprecedented socio-economic crisis that called for rapid and innovative approaches to limit its adverse impact on the livelihood and well-being of hundreds of thousands of people. In response, all countries and territories in the region have introduced, adapted or expanded social protection programmes.¹ Interventions have included the introduction and expansion of social assistance programmes that deliver both cash and in-kind assistance, to modifications of social security payments and the introduction of other social insurance benefits. A robust knowledge base to understand how these measures were implemented is critical to ensure the design of effective future responses to crisis and shocks.

The United Nations World Food Programme Caribbean office is undertaking case studies on shock-responsive social protection and COVID-19 responses in Aruba and Sint Maarten. The studies are part of a broader regional research on Shock-Responsive Social Protection in the Caribbean that has already produced six case studies, a literature review and a synthesis report.²

This report summarizes the case study for Aruba. The next section presents the theoretical framework underpinning the research. Section 3 provides background and describes risks in Aruba. Section 4 and 5 respectively outline DRM and social protection systems in Aruba. Section 6 provides an overview of existing experiences with shock-responsive social protection in the country, including responses to the social and economic impacts of COVID-19 on individuals and households. Section 7

¹ World Food Programme | Latin America and Caribbean Dashboard COVID-19 Impact and Social Protection Measures | Desktop view: <http://arcg.is/iTnb1> | Mobile Phone view: <http://arcg.is/4PHG9>

² World Food Programme in the Caribbean: www.wfp.org/countries/caribbean

considers opportunities and provides recommendations for strengthening the ability of the social protection to reduce risks and manage shocks and emergencies.

2 Research framework and methodology

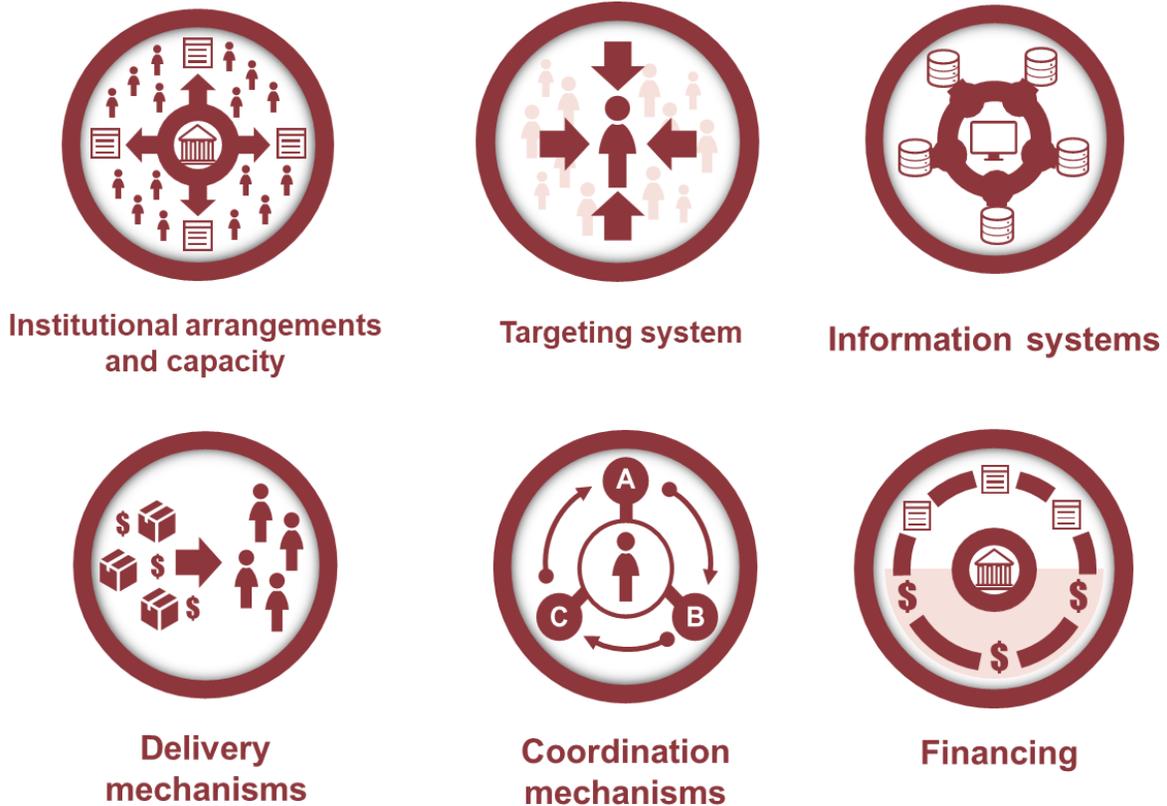
The theoretical framework for this case study is adapted from 12 case studies conducted in Latin American and the Caribbean by Oxford Policy Management (OPM) and WFP (OPM, 2020). The methodology has been adjusted to reflect the experiences and lessons from social protection responses to COVID-19, as well as to the more limited opportunities for field-based research.

2.1 Theoretical framework

This study analyses how social protection systems have been and could be used in responding to shocks and emergencies in Aruba. In particular, we look at six aspects that are essential for a prompt and effective management of shocks (Beazley et al., 2016):

1. **Institutional arrangements and capacity:** legislation, policies and mandates of key DRM and social protection institutions, as well as the organisational structure that affects services delivery in these areas.
2. **Targeting system:** protocols, processes and criteria for identifying people and families that should receive social protection or DRM support.
3. **Information systems:** socioeconomic, disaster risk and vulnerability information to enable decision making before and after a shock. This includes social registries and beneficiary registries, DRM information systems and issues related to accessibility, sharing protocols, data collection mechanisms, data relevance and accuracy and security and privacy protocols.
4. **Delivery mechanisms:** mechanisms in place for delivering cash or in-kind assistance to social protection beneficiaries and/or people affected by shocks.
5. **Coordination mechanisms:** mechanisms and protocols for coordinating DRM activities before and after a shock. These include the coordination of different government agencies, government levels, and of humanitarian agencies. The role of the social protection sector is of particular interest.
6. **Financing mechanisms:** strategies and mechanisms such budgetary instruments, contingent credits and market-based instruments like parametric insurances, including any financing of responses through social protection.

Figure 1: Typology of system preparedness for shock-responsive social protection

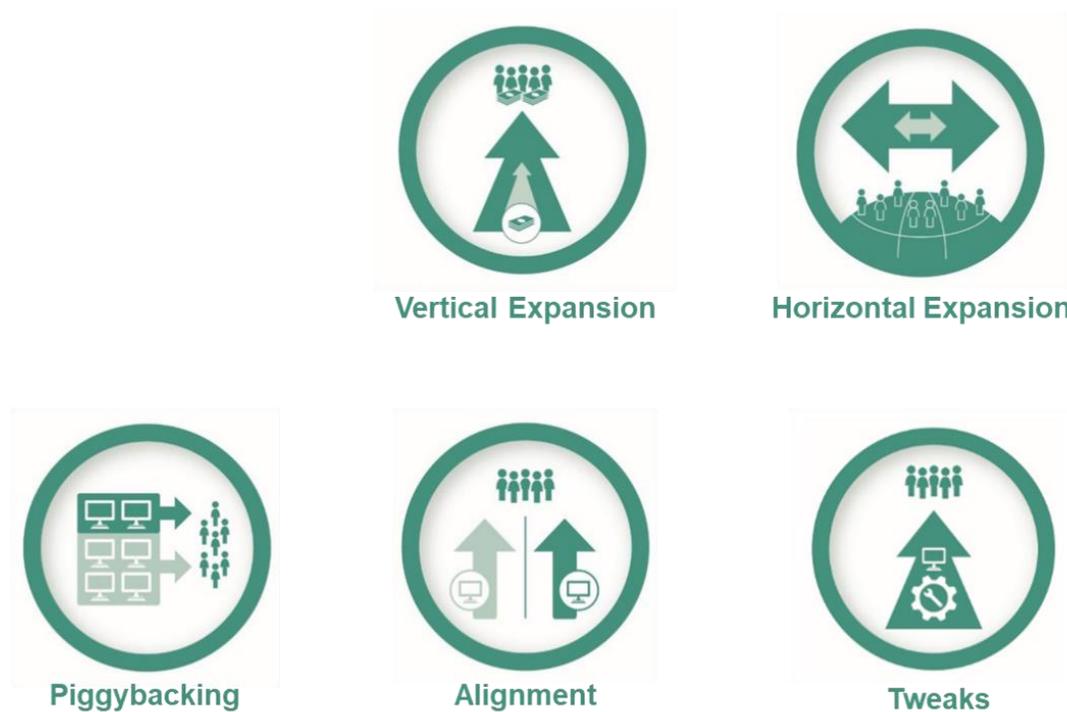


Source: adapted from Beazley et al. (2016)

In addition, we explore possible strategies that may be employed to scale up the overall level of support that the system provides to vulnerable people during or after a shock (adapted from OPM, 2015):

- **Vertical expansion:** increasing support to beneficiaries of existing social protection programmes or system;
- **Horizontal expansion:** temporarily extending social protection support to new households;
- **Piggybacking:** utilising elements of an existing social protection programme or system for delivering a separate emergency response;
- **Alignment:** aligning some aspects of an emergency response with the current or possible future national social protection programmes; and
- **Design tweaks:** making small adjustments to the design of a core social protection programme.

Figure 2: Typology of shock-responsive social protection



Source: OPM (2015)

2.2 Research methodology

We first aim to understand the main risks and vulnerabilities the country faces, especially in terms of populations whose lives and livelihoods are most likely to be impacted by large scale crises and shocks (covariate shocks). In order to understand how social protection systems can support crisis management more strongly, we then review existing disaster risk management systems including the role of social protection agencies and policies within them, as well as the overall social protection system in the country. We then assess the readiness level of those systems to address impacts of covariate shocks and disasters.

The research was conducted through:

- A desk review of social protection and disaster risk management (DRM) systems, programmes and policies
- Semi-structured, remote interviews with key informants from government and NGOs working in social protection and DRM on the experiences with shock-responsive social protection, especially focused on recent responses to the impacts of COVID-19, and insights on the role, performance and capacity of social protection and DRM as well as factors that would enable social protection to be more responsive. A list of indicative research questions can be found in Annex A.
- Analysis of qualitative data and findings from interviews and desk review

3 Risk, vulnerability and poverty in Aruba

3.1 Overview

Aruba is an island and a constituent country of the Kingdom of the Netherlands in the southern Caribbean Sea, located about 29 kilometres north of the coast of Venezuela. Aruba is a high-income country, with a GNI per capita of 26,810 USD in 2017, one of the highest in the Caribbean (DSZ, 2017; World Bank, 2020). The national currency is the Aruban florin (AWG), which is pegged to the United States dollar at the rate of 1.79 florin per USD.

In mid-2020, Aruba had an estimated population of approximately 112,321, with a large portion consisting of migrants (CBS, 2020). In 2010, almost every second economically active person (44.3%) was not born in Aruba and half (51.1%) of the foreign-born economically active population did not have the Dutch nationality. Most non-Dutch migrants originate from neighbouring countries, such as Colombia, the Dominican Republic, and Venezuela. In addition to formal residents, it appears that an additional 12,000 to 17,000 undocumented migrants and refugees might live in the island (Health[e]Foundation, 2019).

The main economic sectors include tourism, trade, and construction. In 2016, the unemployment rate in Aruba was at 7.7%, with youth unemployment reaching as much as 17.9% (15 to 24 years) (Hermans and Kösters, 2019).

3.2 Poverty, vulnerability and food security

While Aruba does not have a poverty line, when using OECD's line of 60% or median income and data of the 2010 Census, one out of every five households (20.7%) in Aruba was deemed poor (DSZ, 2017). The country also has a high level of inequality, with a Gini coefficient of 0.44 in 2010 which is amongst some of the highest in the region, and increasing wage inequality (DSZ, 2017). It appears that "the distribution of the national wealth between social groups has not improved 'al la par' with the economic growth since the 1990s as measured by GDP" (DSZ, 2017, p. 16). The economy tends to revolve around low wages. Particularly vulnerable groups appear to be youth due to significant unemployment and the elderly, who have limited income.

Aruba faces a number of social challenges. Access to education is universal, but outcomes appear to be low; a significant proportion of people with higher levels of education relocate to other countries (especially the Netherlands) (DSZ, 2017). Older persons are rapidly becoming a larger proportion of the population. The island has somewhat relatively high levels of criminality, and people report feelings of social exclusion and discrimination, with those being higher among the foreign-born population (DSZ, 2017). Aruba was found to have one of the lowest levels of interpersonal trust globally (DSZ, 2017). In addition, while the average size of both the nuclear and extended family is becoming smaller, and the percentage of single-person households has steadily increased. The proportion of composite households is somewhat high, perhaps as result of the recent migrant influx,

and stood at 17% in 2010 (DSZ, 2017). **Food security appears to be an important concern in the island.** Aruba imports almost 90% of its food, with some limited domestic production, but not enough to support local markets (World Bank, 2020b). Aruba's primary food import partner is the United States (ibid.). However, the consumption pattern in Aruba is more comparable to that of such developed nations, with food comprising a less significant share of household expenses than in developing countries. Housing is the biggest share – 30-40% across all ages and increases with age (DSZ, 2017). The agriculture and fisheries sector contribute about 1% to Aruba's GDP, however agricultural workers make up about 5% of the labour force.

3.3 Hazards and risks

Aruba is highly vulnerable to global and US-specific economic shocks and financial crises. This is due to the economy being largely based on tourism, which is estimated at about 80% of GDP and directly responsible for one third of employment. There is also a large reliance on imports (ILO, 2020; Quinn, 2020). It consistently ranks as one of the top three economies most dependent on the tourism industry globally (DSZ, 2017; Quinn, 2020).

In spite of large dependence on tourism, the sector has been fairly resilient in the past. However, the COVID-19 crisis has changed that. Many visitors have a house or some relation to the island and therefore would not stop coming to island during previous crisis such as the 2008 financial crisis. COVID-19, however, has severely interrupted the tourism sector and hence almost of the island's economic activity. Given the country's high dependency on tourism, the economic impact of COVID-19 has been particularly severe. Real GDP is estimated to have shrunk by 25.5 percent in 2020, with considerable impacts on employment (IMF, 2021). These revenue losses, associated with expenditure policies, have turned Aruba's fiscal balance from a small surplus in 2019 to a deficit of 17 percent of GDP in 2020, and while a moderate recovery has been projected for 2021, the country's fiscal deficit is expected to remain significant, with public debt anticipated to peak at about 130 percent of GDP in 2021 (ibid.).

Aruba is relatively less exposed to risks related to natural hazards, especially when compared with other islands in the region. While the hazard levels for coastal flooding, tsunamis, earthquakes, and heatwaves are considered "medium", Aruba is not exposed to high levels of risk from any natural hazard (GFDRR, 2020). Aruba is south of the hurricane belt, making direct hits from hurricanes rare, although it has been occasionally impacted by hurricanes and tropical storms, resulting in flooding, high wind damages, and coastal erosion (World Bank, 2020b). Indeed, available hazard risk models show that, in the long run, Aruba's average annual loss (AAL) to multiple perils is USD 56 million, with USD 26 million in AAL from storm surge, and USD 13 million from wind damage (UNISDR, 2020). Aruba is currently experiencing long-term drought conditions, according to the Caribbean Climate Outlook Forum, limiting water availability and impacting local agriculture livelihoods and production (World Bank, 2020b).

In recent years, Aruba has also been impacted from increasing instability in Venezuela, given its close proximity and relationship, resulting in trade and tourism disruptions. People fleeing Venezuela have also come to Aruba.

4 Disaster Risk Management in Aruba

4.1 Institutional arrangements and coordination

Disaster risk management (DRM) is well-legislated and focuses largely on post-disaster response operations. The Calamity Ordinance last amended in 2014, is the main piece of legislation governing disaster risk management in Aruba.³ The Prime Minister, who heads the Government of Aruba, is mandated by it to make preparations for disaster management. The **Crisis Management Office (RBA, Bureau Rampenbestrijding)**, under the Ministry of General Affairs, advises the government regarding crisis management and disaster relief and assists the Prime Minister in the implementation of the Calamity Ordinance. The RBA is a small agency with relatively limited resources but quite a broad range of responsibilities for disaster preparedness and response.

The RBA's tasks include developing disaster prevention, preparedness and response plans, conducting training and exercises, and ensuring the necessary infrastructure and staff for disaster response (equipment, shelter, means of communication, etc.). The agency is in charge of providing information during disasters and conducting post-disaster assessments.

The Council of Ministers is tasked with drawing a disaster response plan for each disaster whose location, nature and consequences are sufficiently predictable. A Disaster Response Council advises the Council of Ministers on disaster prevention, response plans, and preparedness measures and is required to meet at least once every two months. The Disaster Response Council includes members of government (the director of the Public Order and Safety Directorate and the Fire Brigade Commander are ex officio members) as well as three members from private organisations that are involved in disaster relief.

Aruba signed an MoU with the Caribbean Disaster Emergency Management Agency (CDEMA) in 2019, which means the country can now participate in regional CDEMA's programmes and access its services.

While the Prime Minister holds the responsibility for disaster response, other Ministers are in charge of disaster response plans depending on the relevance of their sector and the type of disaster. The Minister in charge is assisted by a crisis team, consisting of a policy team and an operational team, whose tasks are defined in the national contingency plan. The policy team is chaired by the Minister in charge and includes other relevant directorates (Public Order and Safety Directorate, Fire Chief, etc.). The Fire Chief normally has the operational leadership in disaster response and leads the operational team. The operational team consists of technical focal points from the relevant Ministries and from non-governmental organisations relevant to the mitigation to the specific disaster.

³ AB 1989 no. 51 Calamity Ordinance (*Landsverordening houdende regels met betrekking tot de beperking en de bestrijding van calamiteiten*)

There are six levels in the DRM chain of command in the DRM system, depending on the severity/scale of the incident. These levels go from Officials on the ground (Level 1), to the Operational response team (Level 2), to the Policy team (Level 3), to asking for support within the Regional Dutch Caribbean (Level 4); to the Kingdom of Netherlands (Level 5), and finally, the International level (Level 6). If the Prime Minister deems it necessary to seek the assistance of the Kingdom's armed forces, s/he has to inform the Governor. To request specific forms of assistance for disaster response from outside the Kingdom, the Council of the Kingdom needs to approve such request.

The national DRM system consists of eight clusters and 44 processes described in the Disaster Management Plan. Each of the clusters represents one sector. The clusters give recommendations on their fields of expertise to the RBA, which is in charge of managing the incident or disaster. RBA invests in capacity building of Cluster leaders.

The Department of Social Affairs (DSZ), in charge of Aruba's social assistance programmes, has a specific role within the national DRM Plan and chairs Cluster 4 in the country's DRM structure. The DSZ Director is part of the policy team and takes part in disaster management decision-making processes. A representative from the Department is part of the operational team. The Cluster is responsible for six processes including information to community, shelter, food and basic needs, aftercare, repatriation of remains, and community awareness.

The DSZ is in charge of coordinating with civil society organizations and NGOs implementing actions in Cluster 4, including those that typically provide humanitarian assistance in times of emergencies. NGOs do not participate in the DRM policy or operational team directly, but the main organizations, such as the Red Cross and foundations including Fundacion Pa Nos Comunidad (FPNC) and HIAS, coordinate with the DSZ focal point. There are three regular coordination meetings per year. The Government provides limited funding to some NGOs, but the budget available is very small. For this reason, the DSZ appears to prioritize organizations that are smaller or appear to have less opportunities to secure funding from international sources.

Aruba has an early warning system, and 23 risks are being monitored for the island, with coastal flooding from excessive rainfall topping the list. The country has a system for communicating messages to the public through sirens, orbit speakers, and over the phone.

4.2 Disaster risk financing

Aruba has relatively limited options for financing costs arising from disasters. Apart from a crisis preparedness fund of AWG 1.9 million (USD 1.06 million) and the tourism emergency fund of AWG 1 million (USD 560,000) there are no reserves specifically allocated to address disaster related shocks. Other than these relatively limited contingency reserves that can address immediate needs or low-intensity events, the government has no additional risk retention (e.g. contingent credit) or sovereign risk transfer (e.g. parametric insurance, bonds) to protect against financial implications of severe disaster impacts.

Funding for disaster and crisis response has often been made available in an ad hoc, ex-post manner from international organizations and the Netherlands. As part of the Kingdom of the Netherlands, each country is responsible for the performance of their country tasks, but any country can request and provide assistance. The resulting costs are in principle reimbursed by the requesting country. The Council of Financial Supervision of Aruba (CAft) has a monitoring and advisory role with regards to external post-disaster loans that the government might want to acquire. This financing mechanism to manage sovereign disaster risk entails volatile and open-ended fiscal exposure.

Aruba lacks public records of post-disaster damages and losses, as well as post-disaster expenditures. The lack of data limits the Government's ability to quantify contingent liabilities associated with disasters and optimize financial protection strategies. This situation affects how the country identifies and quantifies risks and how it finances post disaster response and the Crisis Management Plan, subplans and roadmaps.

The domestic non-life insurance industry has room for expansion, which would largely offset the implicit contingent liability of the government to act as the insurer of last resort. In 2018, the non-life insurance penetration (the market premium for non-life insurance as a percentage of GDP) for Aruba was 1.38 %, which is well below the Caribbean regional average of about 6%.

The agriculture and tourism sector could benefit from enhanced sector-specific financial protection mechanisms, as Aruba seeks to increase domestic food production and tie it to tourism. A lack of financial risk reduction mechanisms or incentives may be discouraging new farmers from entering the sector. As Aruba has limited factor inputs including land, water and soil, new and innovative technologies are used in most commercial production, which carry high capital costs and increased financial risk.

As part of a Technical Assistance Program for Disaster Risk Financing and Insurance in Caribbean Overseas Countries and Territories, the World Bank is supporting Aruba in developing its disaster risk financing strategy. The World Bank is also conducting a food security assessment (agrologistics, agricultural sector, potential for strengthening sector) to identify longer term alternatives to support food security in the island.

5 Social protection in Aruba

5.1 Legal, policy and institutional framework

The social protection system in Aruba comprises a contributory social security system, and non-contributory social assistance and social services. Social security and social assistance benefits are delivered by public entities whereas most social services are delivered by voluntary organizations that are, to a certain extent, subsidized by public funds (DSZ,2017). Access to primary and secondary education is free. Utilities, in particular potable water, are partially subsidized (DSZ, 2017).

5.1.1 Social assistance

Social assistance programmes are well regulated by the National Ordinance on Social Care (LVMZ) and the National Decree on Social Assistance Provision^{4,5}. The LVMZ mandates the **Department of Social Affairs** (Directie Sociale Zaken, **DSZ**) within the Ministry of Labour and Social Affairs, with the administration and monitoring of the delivery of public assistance, as well as the provision of social work, social-psychological services, and community development work. The DSA is also in charge of social policy analysis and planning. The department has a staff of about a hundred people, to cover a range of services from case management to psychosocial support and legal aid, as well as policy making. Considering the broad range of tasks and the department's strong focus on a case management approach, which is time and resource intensive, the implementing capacity of DSZ can be considered relatively limited.

The delivery of social services is based on a partnership principle with civil society organizations, which is regulated by the Social Welfare Subsidy Law⁶. The law stipulates that the government would subsidize welfare provided by non-governmental organizations to the general population. The DSZ is mandated with providing funds, monitoring, and evaluating the assistance and services provided by voluntary organisations and NGOs that receive government subsidies. However, the largest part of NGOs' funding to deliver social services and social assistance benefits comes from external donors and organizations (private sector, the Red Cross, and, at times, the Netherlands).

Social Assistance is a legal entitlement in Aruba. While anyone who meets the residency and income criteria is legally entitled to social benefits, the system is designed to encourage family and community support come first, with government's support as last resort. DSZ's policy plan, **the Multi-annual Social Policy Plan 2017-2020**, states the main goal of the department as helping "Aruban families, young people and specific vulnerable target groups (such as seniors and disabled people) [...] to lead a dignified life and participate in society [...] by working more on their own self-development and, for example, being less dependent on assistance" (DSZ, 2017a). The department's approach is

⁴ Landsverordening maatschappelijke zorg AB 1989 No. GT27

⁵ Landsbesluit bijstandsverlening AB 1988 No. 88

⁶ Subsidieverordening Instellingen van Openbaar Nut, 1990 No. GT 34

focused on early help and prevention and building of skills, with direct assistance as last resort and seen as a means for beneficiaries to become independent.

The sustainability and solvency of social assistance largely depend on the state of public finances (DSZ, 2017). Social assistance programmes implemented by DSZ are funded through the government budget. Given the nature of social assistance as an entitlement, the government is legally bound to ensure the funding of the programme, even if the costs increase suddenly, as it is the case in a crisis.

5.1.2 Labour markets

Two departments focus on labour issues, the Departamento di Progreso Laboral (DPL) and the Department of Labour and Investigation (Arbeid en Onderzoek, DAO). The DPL manages tasks related to Active Labour Market Programmes and maintains a platform to match job seekers with employers. It is also in charge of providing work permits to non-residents. DAO consists of three Departments: Labour Market Research, Mediation in Labour Conflicts (salaries, dismissals, etc.), and Inspection (checks on dismissal, minimum wages, adherence to the labour regulations, etc.). Both DPL and DAO Departments fall under the Ministry of Social Affairs and Labour, together with DSZ.

5.1.3 Social insurance

The National Ordinance Social Insurance Bank mandates the **Social Insurance Bank (SVb)** with the implementation of the National Health Insurance, accident insurance, general old-age insurance, general insurance for Widows and Orphans, as well as other social security schemes or schemes with a predominantly social character, as long as they are assigned to it by law.⁷ Specific ordinances regulate the different social insurance programmes. The SVb has two departments: Pension department, and Health and Work Department.

5.2 Social protection programmes

The social protection system in Aruba comprises a number of contributory and non-contributory social protection programmes an overview of which is provided in this section (see Table 2, next page).

⁷ Landsverordening Sociale Verzekeringsbank AB 1995 no. GT 1

Table 2: Social Protection Programmes

Programme	Implementing agency	Targeting criteria	No. of beneficiaries	Benefit amount
General Old Age Insurance (AOV)	Social Insurance Bank of Aruba (SVb)	1. Resident of Aruba 2. Age 63 years or older* *The mandatory is being gradually increased to 65 in 2025	19,341 in 2020	Full pension: - AWG 1,157 for a single person - AWG 974 for a married person or a person living with their partner
General Widow and Orphan Insurance (AWW)	Social Insurance Bank of Aruba (SVb)	1. Widow(er) younger than retirement age and orphans up to 14 years of age (25 years if a full-time student; no age limit if disabled) 2. The deceased person was insured or receiving an old-age pension at the time of death	1,755 in 2020	Widow(er)'s pension: AWG 512 - AWG 1,132 a month depending on the survivor's age when widowed Orphan's pension: AWG 377 - AWG 443 a month depending on the orphan's age (AWG 404 - AWG 512 for a full orphan)

Programme	Implementing agency	Targeting criteria	No. of beneficiaries	Benefit amount
Cash Transfers (Bijstand)	Department of Social Affairs (DSZ)	<p>1. Persons born in Aruba with Dutch citizenship and registered in the civil registry ("Censo"). If the person is not born in Aruba, but has Dutch citizenship, a 3-year minimum continuous residency in Aruba is also needed together with registration in the civil registry</p> <p>For Households Cash Transfer:</p> <ul style="list-style-type: none"> - Means-tested: Person registered as unemployed and/or assessed as vulnerable <p>For Disability Cash Transfer:</p> <ul style="list-style-type: none"> - Aged between 16 years and retirement age <p>Assessed as not able to work, even with medical assistance</p>	2,500 recipients as of June 2020 (incl. heads of households and disability benefits)	<p>Households Cash Transfer: Up to AWG 450 per month (depending household income) + AWG 200 per month for every eligible dependent. Up to min wage AWG 1.815,35 per month.</p> <p>Disability Cash Transfer: AWG 947 per month</p> <p>Additional Benefits for recipients of <i>Bijstand</i>:</p> <ul style="list-style-type: none"> - Annual Christmas bonus: additional month per year at same level of benefit - Dietary grant for persons with special diet: Up to AWG 120 a month paid to head of household - School allowance children between 3 and 24 years old (250 AWG p/m) - School contributions (AWG 120 per year); <p>School-related costs (AWG 220 per child per year, maximum AWG 800 per year)</p>
Funeral Assistance	Department of Social Affairs (DSZ)	Persons who are direct family of the deceased who are legal residents of the country	One-off benefit	Up to a maximum AWG 4000 for funeral costs
General Health Insurance (AZV)	General Health Insurance (AZV)	All registered residents of Aruba	Universal	Package of medical and paramedical services, medications and medical aids (provided in kind; no reimbursement)

5.2.1 Social assistance

5.2.1.1 Cash Transfers (Bijstand)

In Aruba, the main form of monetary social assistance provided by the government is called *Bijstand* (“Assistance” in Dutch, pronounced as in *bye-stand*), and consists of a cash transfer benefit which varies depending on needs and other criteria. There are two main types of benefits under *Bijstand*, one for head of households and the other for people with disabilities. An additional benefit for families taking care of foster children is being phased out.

As of February 2020, approx. 1500 beneficiaries were recipients of *Bijstand*, including household and disability cash transfers, as well as a small number of foster child benefits. Based on unofficial estimates, this represents roughly 2.5% of the country’s population who is Dutch. In June 2020, after benefits were scaled up in response to the impacts of COVID-19, approximately 2500 of people were receiving benefits.

The term *Household Cash Transfers* is used here to refer to those benefits that are provided to eligible households or individuals based on income. Eligibility criteria include: 1) Dutch nationality and born in Aruba, or Dutch nationality and at least 3 years living in Aruba prior to application, registration at the civil registry; and 2) being below a certain income - minimum wage - and asset level. The programme is based on a legal entitlement and anyone can apply and is eligible if the criteria are met. The head of household receives a specific stipend of approximately AWG 450 per month (USD 250) and about AWG 200 (USD 110) for every dependent including children, up to a maximum of the minimum wage. The final amount of the benefit depends on the beneficiary’s existing income and supplements it up to the minimum wage.

The transfer is conditional and meant as a temporary safety net. Beneficiaries, with some exceptions, should register as job seekers and are encouraged to go back to work or to carry out activities to improve labour market reintegration skills. The benefits might be cancelled if beneficiaries do not meet their obligations, including, for those not exempted, periodically reporting to the Departamento di Progreso Laboral (DPL).

Cash transfers to people with disabilities (*Disability Cash Transfers*) are provided to persons aged 16 years and older (until pension age) that have been medically certified as not able to work, even with medical assistance. The same nationality and residency requirements apply as for *Household Cash Transfers*. The benefit consists of AWG 947 (USD 526) per month.

In addition, there are a number of other monetary benefits that beneficiaries of both types of *Bijstand* can access in addition to the household cash transfer or the disability cash transfer. For both, there is an additional 13th payment in December (Christmas Bonus) equal to the monthly benefit. Other additional benefits cover costs of special diets for people with medical needs (AWG 120 per month, or USD 70), school allowance for children between 3 and 24 years old (250 AWG per month, or USD 140), school contributions paid directly to the schools (AWG 120 per year, or USD 70);

school-related costs (uniforms, etc.) (AWG 220 per child, maximum AWG 800, equivalent to USD 450, per year, paid in September upon certification from enrolment in the school).

Finally, another type of monetary assistance consists of Funeral costs assistance, which provides up to a maximum AWG 4000 for funeral costs to family of the deceased who are legal residents of the country.

A number of social services are available to low income and vulnerable individuals. Legal Services Assistance provides legal assistance to people who cannot pay for it on their own. Social Work and Psychosocial Support Services consist of non-monetary support through guidance, coaching, and referrals. These services are run by the DSZ through a team of social workers.

The government-funded foundation Fundacion Cas Pa Comunidad Arubano (FCCA) is responsible for social housing for Arubans with a low or average income. In order to qualify for social housing from FCCA, the applicant must have a maximum monthly salary of AWG 3,125 (USD 1,736). Clients designated for social housing may qualify for a rental subsidy, calculated on the basis of a rent subsidy table and subsidized by the Government of Aruba.

5.2.1.2 Targeting and registration

While the Aruban social assistance system is essentially a residual welfare system, some benefits are universally accessible in principle, such as social support services such as social work, psycho-social services and community work delivered by line ministries and publicly subsidized NGOs (DSZ, 2017).

***Bijstand* (Cash Transfers) benefits on the other hand are only available after certain criteria are met, including nationality, period of residency, income and assets, based on a verified means test.** The programme aims to target families under temporary income shocks, and it is not intended as a long-term poverty reduction benefit. For the *Household Cash Transfer*, the income of the head of household and other members of the family is assessed. For the *Disability Cash Transfers*, only the income of the person with the disability is considered.

The largest proportion of beneficiaries consists of single female heads of households, with no or low income. In 2015, half of the population receiving family benefits consisted of single parents (mostly female), while 45% consisted of single-person households (people with disabilities, etc.), and only 4% belonged to nuclear families (couples with children).

Application for *Bijstand* is made in person at the DSZ office. After applying at DSZ, applicants must also register in person with the Departamento di Progreso Laboral. Applicants are required to submit a number of documents to DSZ to prove income of the household. The review process includes a home visit by the case worker assigned to the applicant's file. Each application is decided on a case by case basis and assessed and approved by staff at DSZ. The level of benefit is decided based on a formula, which is calculated automatically by DSZ's software, based on the information entered for the beneficiary.

The Department of Social Affairs (DSZ) has a database of beneficiaries, where data from the physical forms applicants have submitted is entered manually. The government is working towards online applications.

5.2.1.3 Delivery and eligibility verification

For *Bijstand* beneficiaries, it might take four to eight weeks to receive the first payment. The majority of beneficiaries collect a check at the post office, although some might be able to receive payments to a bank account (primarily beneficiaries of disability cash transfer). At the collection point, random documentation checks might be conducted.

There is no limit to the duration of the benefit, although most beneficiaries receiving the Household Cash Transfer are regularly encouraged to look for work and to check in at the DPL. In practice, however, it appears that beneficiaries have low job prospects (e.g. single mothers with limited employability skills, etc.) and therefore continue receiving benefits for a long time. In 2016, more than half (54.4%) of the registered income support recipients in the 17-24 age group, including presumably many young mothers, had no previous work experience.

5.2.1.4 NGO-led assistance

A vast range and number of social services and social assistance benefits in Aruba are delivered by non-governmental organizations (NGOs). NGOs provide services in various areas including education, nutrition, parenting advice, childcare, violence against women and children. The largest NGOs operating in the island are the Aruba Red Cross (ARC) and Fundacion Pa Nos Comunidad (FPNC). HIAS, an organization that supports refugees, is focused on assisting the large Venezuelan population in the country. Importantly, NGOs provide food assistance and vouchers, often to complement the Government's social assistance efforts.

The Red Cross non-emergency programmes consist of interventions focused on alleviating poverty, helping the elderly, and supporting migrants' medical and food needs. They also support DRM planning and conduct advocacy activities to ensure assistance to vulnerable groups that might be excluded from government programmes. In 2018, the Red Cross worked with UNHCR to provide refugee and asylum-seeking assistance services.

FPNC is often referred as the "Food Bank" of Aruba, although the organisation focuses on

poverty reduction through a range of services that aim to provide support for individuals to move out of poverty. In that sense, it takes a more comprehensive approach, rather than a purely safety net residual approach. FPNC has positioned themselves as second line of help. Clients must be referred by one of the organization's 45 partner organisations, which includes DSZ and other government departments. The type of assistance provided depends on the client's personal situation and includes job matching, food assistance and volunteer work. Approximately 250 families were assisted with food and other services per month prior to COVID-19. Clients must comply with certain conditions in exchange for assistance - for example volunteering (sometimes paid), social curriculum, matching with employers. The organization runs on a small team of staff and additional volunteers, including some who are also clients. The government partially subsidises the personnel of the FPNC, but the NGO is mainly funded by philanthropists and private sector businesses.

5.2.2 Labour and social insurance

The social security system in Aruba consists of employees' insurance schemes, including accident insurance, severance pay (Cessantia) and sickness insurance, as well as general insurance schemes, which comprise the General Old Age Insurance and the General Widow and Orphan Insurance as well as general health insurance.

The **General Old Age Insurance** is a national insurance policy that guarantees the provision of a basic pension to those who have reached retirement age. The old age insurance applies to everyone, so not only to employers or employees, and provides a basic defined benefit pension to all residents of 63 years and older. The scheme is managed by the Sociale Verzekeringsbank (SVb). Benefits depend on the number of years that the participant has contributed. As per September 1st, 2020, 19,341 people were receiving benefits under the scheme. A contributory pension system also exists, but a relatively limited number of people makes use of it.

The **General Widow and Orphan Insurance** provides a monetary monthly benefit to widow/ers younger than retirement age and orphans up to 14 years of age (25 years if a full-time student, no age limit if disabled), provided the deceased person was insured or receiving an old-age pension at the time of death. In 2020, 1,755 people were receiving this type of assistance.

There is currently no long-term unemployment benefit scheme in place in Aruba. *Cessantia*, a severance pay, is a one-off cash payment under the employee insurance scheme, which the employer must pay to an employee if the employment ends through no fault of the employee (Government of Aruba, 2020). The benefit is calculated based on the number of years of service of the employee for that particular employer. The Departamento di Progreso Laboral (DPL) provides other labour market programmes, such as intermediation to match employers and employees.

5.2.3 National health insurance

The universal national health insurance, which was introduced in 2001, provides a basic package of mostly curative medical and paramedical services and medications to every registered resident of

Aruba, with mandatory enrolment regardless of health or income. Health care expenditure was approximately AWG 480 million (USD 268 million) in 2015, with total health care costs accounting for 10% of GDP, the second highest percentage in the region (Department of Public Health Aruba, 2019). The health insurance scheme is largely financed by compulsory contributions from employers and employees as well as a government contribution and sales taxes earmarked to the health system (BAZV tax). Persons with no income contribute only indirectly via sales taxes. The government has the legal obligation to ensure the financing of the national health insurance.

While undocumented migrants are entitled to emergency medical care, access to regular medical services remains a challenge as they are not covered by the national health insurance system. The Aruban Red Cross covers certain medical fees for them and intervenes to ensure medical treatment for those who are denied access. However, the demand is high, and it exceeds the available resources.

6 Shock-responsive social protection in Aruba: Experiences and lessons

Before the COVID-19 crisis, Aruba had some experience with scaling up social protection programmes in response to large-scale shocks. In 2008 following the global financial crisis, the DSZ saw an increase in the number of applications for Bijstand, which led to a 7.4% increase in the number of heads of households assisted from 2,637 at the end of 2008 to 3,832 at the end of 2009. Following the closure of the Lago Oil refinery in 1984, the number of heads of households assisted increased by 55% in the three-year period that followed. In general, however, there was agreement among key stakeholders that COVID-19 is unprecedented in terms of widespread socioeconomic impacts and the resulting need for upscaling social protection.

In 2004, the Department of Social Affairs (DSZ) played a role in the response to floods in the Western part of Aruba. As part of its mandate under Cluster 4 of the DRM system, the DSZ was in charge of shelter, operating a centre for 14 weeks and providing people in the shelter with food assistance and post-disaster social services (psychosocial support, reintegration to work, and in some cases, housing). The FPNC was in charge of providing food assistance at the shelters.

6.1 Experiences in response to COVID-19

In order to mitigate the socioeconomic impacts of the COVID-19 pandemic, the Government of Aruba implemented new social protection programmes and scaled up existing ones. The government's emergency fiscal package, which totalled 13.3 percent of GDP, included expenditure measures such as temporary income support to workers who lost their employment, wage subsidies to employers, quarterly liquidity assistance to small and medium enterprises, financial support to the General Health Insurance (AZV) and Social Security Bank (SVB); and food assistance to vulnerable households (IMF, 2021).

6.1.1 Emergency Social Assistance Fund (FASE)

A new programme was created to provide temporary cash support to people who have lost income and jobs and who do not qualify for the cash transfers. The **Emergency Social Assistance Fund (FASE)** was launched on 1 April 2020 to provide the opportunity for small businesses and individuals to apply for compensation to help cover the loss of income for employees that have been laid off or whose working hours have been reduced, causing them to earn less than AWG 950 (USD 527.79) monthly. Applicants who qualify are entitled to receive AWG 950 monthly for a maximum of 3 months in the first instance. The first payment to beneficiaries was provided at the end of April 2020 through beneficiaries' personal bank accounts. From April to December 2020, a total of 11,650 persons received benefits under the FASE programme, with payments totalling nearly AWG 43 million (USD 24million). It appears that some utility companies (electricity and water) were also notified of people being enrolled in this benefit as part of a subsidy programme.

The application process is done through an online form, and applicants are asked to submit several documents including employer dismissal letter, recent payslips, ID/passport/Work permit, Bank Account, personal tax number, among others. After the online registration, the application is assessed by a commission consisting of the Departamento di Progreso Laboral, the Department of Social Affairs (DSZ), the Department of Labor and Investigation, and the National Jobs Platform. The Social Insurance Bank also has the task to verify whether FASE applicants are employed, to avoid duplication between FASE and the Wage Subsidy (below). Applicants whose applications are approved are notified by email. As of 31 March 2020, FASE had received 5,700 personal applications and 744 (small) business registrations. Extensions or new applications must be applied for each month.

In March 2021, the Government of Aruba announced the extension of the FASE programme until the end of 2021 after which the Temporary Income Support (TIO) will come into effect (Government of Aruba, 2021).

6.1.2 Wage Subsidy

A payroll relief plan, named Wage Subsidy, was established by the government as financial support to local companies facing a decline in sales of 25% or more due to COVID-19 in an attempt to prevent massive layoffs (SVb, 2020). The intervention was set up at the recommendation of the Netherlands, as part of a package of initial financial support to Aruba. A similar programme has been implemented in all four countries of the Kingdom (The Netherlands, Curacao, Sint Maarten, and Aruba). It was the first time that the Social Insurance Bank (SVb), the agency implementing the programme and an institution that is normally not part of disaster response structures, had to manage and scale up programmes in response to a crisis.

Under the Wage Subsidy, the employer applies on behalf of employees with the purpose of covering up to 71.6% of the employees' wage from the support provided. The employer provides information through the digital platform, including a signed list of workers and wages, and reported losses of company. The Wage Subsidy is granted on a monthly basis (starting in May 2020), application is needed every month. The estimated funding is advanced to the employer based on the expected decline in the company's sales and adjusted later based on the tax return to reflect actual decline. An average of 22,500 employees benefitted from the programme per month between May and August 2020.

Although companies are already registered with the SVb, it appears that a significant portion of applications during the first rounds was missing some of the documents or did not keep updated details in the system, requiring follow up with applicants in multiple cases.

In 2020, the Government of Aruba provided AWG 271.7 million in wage subsidies, with the programme continuing in 2021 (Government of Aruba, 2021a).

6.1.3 Cash Transfer Benefit

Aruba's long-standing safety net programme, *Bijstand*, does not have protocols in place to

ensure the rapid expansion in the case of a disaster or crisis. At the same time, being a legal entitlement, it is bound to see an increase in applications when these shocks occur. It appears that COVID-19 prompted the largest increase for demand ever seen by the department. From an average of 40 applications per month before the COVID-19 crisis, the benefit saw a major increase to almost 400 applications a month. More than 1,500 new applications had been received in the four-month period between the start of COVID-19 response measures in March and the beginning of this study in July 2020. The number of beneficiaries increased from around 1,700 to 2,500 in the same period. Close to 900 people who were not eligible to receive the benefit were referred to NGOs providing other social assistance. However, it appears that the programme has supported a more limited number of people than FASE and the Wage Subsidy, which are focused on people in formal employment.

To enable *Bijstand* benefits to reach more people more quickly, the eligibility and application process were simplified, by temporarily suspending the requirement to register with the Departamento di Progreso Laboral (DPL). Given the large decrease in employment opportunities caused by COVID-19, removing this step represented a natural efficiency gain. The size of benefits remained unchanged, and same rules for duration and verification of benefits apply.

Due to social distancing protocols, home visits were suspended, and a large number of social work services and case management tasks had to be performed remotely by phone, which has had an impact on clients' access to services. Collection of benefits at the post offices was also modified to meet social distancing protocols, with collection days changed according to a schedule based on name's alphabetical order, and additional days for collection of benefits.

Overall, the DSZ struggled to meet the increased demand for services, given that protocols for targeting and registration, and associated administrative processes require multiple time-intensive steps, and staff capacity in the department is limited. As a result, the time between application and enrolment extended beyond the usual two months. While the DSZ was able to pick up the pace after the first initial months, the tenfold increase in applications per month caused a backlog in the processing of applications resulting in a delay in the delivery of benefits to new beneficiaries.

6.1.4 NGO-led assistance

A very important form of support for vulnerable populations has consisted of food assistance.

In response to COVID-19, a project was funded by the Dutch Government through the Netherlands Red Cross in all three countries (Aruba, Curacao, Sint Maarten). In Aruba, the funding totalling approximately AWG 10 million (USD 5.5 million) was allocated to a newly established project of three NGOs (Aruba Red Cross and FPNC as implementers; CEDE as coordinator) to scale up food assistance and hygiene items, with an original funding for a total of 5,000 households. The project was subsequently extended with additional funding of EUR 8 million until January 2021. As of January 2021, discussions were underway about a potential second extension for 2021.

Under the project, the Red Cross provided e-vouchers and FPNC provided food packages consisting

of non-perishable food items and hygiene items, expected to provide enough food for a month. In addition, 75.000 meals were distributed by the Red Cross in 2020.

Before COVID-19, FPNC was providing food packages to between 200-250 households per month. As of July 2020, 4,558 households were receiving this assistance. Many beneficiaries were referred by the DSZ, which used to send 45-50 persons per month to FPNC before the pandemic started, a number that increased to an average of 300 households per month between mid-March and mid-June 2020.

As of January 2021, the Red Cross was assisting 8,222 households (20,563 individuals) with vouchers to pay for their food and hygiene products with another 200 persons getting a daily meal.

To qualify for a food basket, applicants must have lost at least 50% of income due to COVID-19 or have no income. While the Red Cross and FPNC used separate administrative processes, under both programmes the application process included an interview or questionnaire. Red Cross used data on household composition and categorical information (elderly, pregnant women, etc.) as a way to prioritize support. FPNC also categorized clients by distinguishing those that might need short term support from those that might need additional, longer term support to meet their needs. Many of the applicants appear to be migrants who do not meet the eligibility requirements for *Bijstand*.

Given the large demand, NGOs faced operational challenges, especially related information management and sharing. While FPNC and Red Cross are able to compare their beneficiary databases, both organizations have restrictions in sharing data with each other due to privacy concerns. Verification of duplications is based on anonymous, unique identifiers, mainly a combination of phone number and date of birth. However, FPNC is able to share data through a central database with a large number of smaller organizations with whom it had partnerships before the pandemic.

Sharing of data between NGOs and the government is particularly difficult given that a large part of NGOs' beneficiaries are undocumented migrants, who fear coming forward for assistance. NGOs feel responsible to ensure their beneficiary data is not shared. As part of their application questionnaire, Red Cross asks applicants whether they are eligible for government assistance (for instance, eligibility for FASE might not disqualify someone from Red Cross support, but it will depend on family composition and other factors).

Other challenges have revolved around registration and delivery under social distancing protocols, and catering for groups with health-related vulnerabilities to the virus such as the elderly. FPNC modified registration processes to allow clients to apply for assistance directly with the NGOs, as opposed to working purely on referrals from DSZ and other NGOs as in the past. For the distribution of packages, FPNC partnered with smaller NGOs that focused on supporting the elderly before the pandemic and set up separate facilities and times for food parcels to be picked up by these groups.

While FPNC and the Red Cross are the largest implementers of such programmes, several new initiatives providing similar services (e.g. private sector initiatives) have emerged, leading to

coordination challenges with NGOs and the government.

6.1.5 Social services and other forms of support

A number of other social services have also been scaled up by government and civil society in response to the COVID-19 crisis. The DSZ, for instance, has seen a small increase in demand for legal services related to labour disputes. The government deferred payments for electricity and water for FASE beneficiaries and put in place a three-month moratorium on mortgages in agreement with banks. Fundacion Cas Pa Comunidad Arubano (FCCA) provided support to people who qualify for social housing. However, this assistance is limited given that housing and rent subsidies appear to have become an important need. Services for the elderly have consisted of provision of tablets to nursing homes and creation of a special line for the elderly at home.

Finally, some health-related measures were taken to ensure vulnerable groups had access to medical services. COVID-19 testing was provided for free as well as hospital emergency care available for immigrants.

6.2 Shock-Responsive Social Protection Systems Readiness and Response

6.2.1 System readiness

This section assesses the readiness of existing social protection systems in Aruba to address the impacts of covariate shocks, including through rapid and flexible upscaling in response to increased needs. This analysis follows the underlying theoretical framework, assessing system readiness along different dimensions including Institutional arrangements, capacity and coordination, targeting systems, information management systems, delivery mechanisms and financing (see section 2).

6.2.1.1 Institutional arrangements, capacity and coordination

Aruba has highly institutionalized and well-coordinated disaster risk management structures, which already integrate some of the relevant social protection institutions. The disaster response mechanisms (e.g. the cluster structure) seem to be flexible and adaptable. For instance, while the COVID-19 responses were coordinated using disaster response structures, they had to be adapted to the particular nature of the pandemic. A new COVID-19 cluster was established, with more attention to the social impacts of the crises, including social services, health, and education.

Overall, while government-implemented social protection is clearly one piece of responding to shocks, the role of social protection in responding to covariate shocks has not been sufficiently recognised and formalised through relevant protocols and policies. However, Aruba has a residual welfare state approach, with government safety nets considered as "last resort" when other community and family support has been exhausted. In spite of this approach, formal social assistance does not play a large role in disaster response. The DSZ appears to have limited capacity to deal with large shocks. The COVID-19 crisis caught the department off guard, and it had to adapt its administrative processes to comply with a very rapid and sharp increase in demand. At first, it was

not able to process the large number of applications effectively, although it managed reasonably well to continue operating in the difficult circumstances, for instance, considering that social distancing protocols also had to be applied at the DSZ offices.

As for the Social Insurance Bank, the COVID-19 crisis was the first time that programmes were designed and implemented under time pressure. The SVb is not part of the national disaster risk management framework, but interviewees anticipate that the institution could become more relevant in crisis response in the future given it is able to quickly transfer money to individuals in formal employment. There appears to have been little coordination with the DSZ, as the departments do not share information or work closely in policy development in normal times. SVb does share data with the labour departments (DPL and DAO).

An important lesson from the COVID-19 response appears to be the need for strengthening the linkages between Public Health and Social Affairs. In particular, DSZ is seen as having a good overview of the evolving situation and challenges on the ground, given its large network of NGOs and civil society. Key informants believed the Department of Public Health could build on those connections and learn from DSZ to have a closer understanding of the situation in the community. These exchanges would be important particularly for policy and technical staff under director level.

In spite of some difficulties, coordination between government and civil society in the provision of social assistance seems to have worked relatively well. This is largely due to DSZ having a long-standing relationship with many NGOs. NGOs play an important role in delivering social assistance and social services in normal times. In addition, the DSZ has a permanent place in Aruba's disaster risk management structures and is responsible for the coordinating with NGOs.

A challenge that was highlighted by many key informants arose from the large number of new private initiatives and movements that were spontaneously created to provide assistance to people impacted by COVID-19. Many of these small, sometimes business-related initiatives have used what was considered questionable practices to deliver essential assistance such as food packages. For example, some have linked the delivery of this type of assistance to large events of a commercial nature and have not coordinated with more established NGOs or with the government.

6.2.1.2 Targeting and registration

Due to the lack of a poverty line and a limited understanding of differentiated vulnerabilities to various shocks it would appear difficult to estimate the number of people in need of support in a particular shock. Given the relatively small population and country's geography, this might not be particularly important if the social protection system was ready to respond to increased demand when shocks occur. However, the response to COVID-19 appears to have shown this is not the case, as the government and NGOs have faced issues identifying potential beneficiaries and estimating demand.

Social assistance is based on verified means test methods with income being the main eligibility

criterion. A simplified version of this method has been used by the government and NGOs in COVID-19 responses. As this methodology does not necessarily capture other aspects of vulnerability or potential adverse impacts on certain populations, it might lead to potentially excluding people that potentially need support. A better understanding of vulnerability to and impacts from different shocks could also enable a better calibration of the type of assistance that is provided. For instance, it is not clear how COVID-19 social assistance and social security response programmes considered specific vulnerabilities of the elderly. The vulnerabilities of this group might have been exacerbated by the crisis, since low incomes and housing costs were an issue before the crisis, and social distancing rules or fear of infection might have increased their isolation. At the same time, elderly people might be discouraged from applying for social assistance benefits given the burdensome process.

Application, verification, and enrolment is a burdensome process for applicants to government and NGOs' programmes. None of the programmes have implemented online applications systems, which in the case of COVID-19 could have helped given social distancing protocols. Even though they were simplified, the application processes required several steps. For instance, the application process for social assistance at DSZ requires a number of documents that poor and vulnerable people are less likely to have.

Finally, general coverage of social assistance transfers appears low compared to levels of poverty, especially considering that it is an entitlement. The low level of coverage might possibly be due to the residual approach to safety nets, limited budget, and consequent strict eligibility requirements and burdensome application process. However, this situation might also lead to high levels of exclusion errors, especially in the case of shocks. This seems to be corroborated by the high levels of demand during COVID-19. Given the lack of poverty line and updated census, it is difficult to estimate exclusion from the main benefits.

6.2.1.3 Information management

The management of information about beneficiaries and effective, inclusive delivery of benefits appears as one of the biggest challenges in the implementation of social programmes to respond to COVID-19. While government departments and NGOs have digitalized registries to manage day-to-day operations, most struggled to adapt them to the COVID-19 response. For instance, at the DSZ the applications to be referred for the food package assistance had to be entered manually into a simple spreadsheet.

Departments that have recently upgraded their information management systems had more capacity to respond more quickly. In 2019, the Social Insurance Bank (SVb) had launched its digital platform, where businesses are registered and can communicate with the Bank. This platform allowed for a faster response during the COVID-19 crisis as it made it possible to rapidly implement the Wage Subsidy programme. The SVb was able to pay the first wage subsidy within three weeks.

The level of coordination of information management seems low across the different departments and between the social affairs department and NGOs. The DSZ does not have a

very sophisticated beneficiary database, and at the moment, there is no sharing of information with any of the programmes implemented through other departments under the same Ministry (DPL, DAO and SVb). As a result, this posed a roadblock to potential information exchange on beneficiaries during the initial COVID-19 response. The DSZ is hopeful that the upcoming FASE database will be matched with the database for the wage subsidy and provide powerful data both on macro level and meso level. The DSZ is trying to gain access to the data for a demographic analysis of beneficiaries.

A significant portion of the challenges in data management between DSZ and NGOs arise from the need to differentiate support to undocumented migrants and refugees, due to the policy and legal limitations to provide assistance to these groups.

6.2.1.4 Delivery

COVID-19 responses have offered some insights on the delivery of social assistance to beneficiaries during crises, although some of them are particular to the pandemic. On one hand, given the highly individualized nature of service delivery for social assistance (e.g. case workers, home visits), processes for delivering assistance have taken longer and created a backlog at the DSZ. In addition, because payments are made at the post-offices, the collection of benefits had to be adjusted to meet social distancing protocols. The delivery of food assistance, especially food packages, creates similar challenges as it requires large numbers of people to congregate around a distribution point.

While food aid was a predominant modality of support, there are opportunities to turn more to cash transfers and vouchers, which provide more choice and support the local economy. Some NGOs are trying to make the case to their donors that additional support that goes beyond food will be needed as the impacts of the pandemic continue to deepen.

An important issue in the implementation of all programmes during COVID-19 was ensuring information and awareness activities were conducted swiftly and effectively. Many actors appear to have used social media as well as more traditional media such as newspapers, radio, and TV.

6.2.1.5 Financing

Overall, the financing of social protection is a long-term challenge for Aruba. The country's social protection benefits (health care, social assistance, and social services) are entitlements under the law, which means they need to react to variations in demand, which increases when large shocks occur. The limited funding available for social assistance programmes in the general budget is likely to create pressures towards more stringent eligibility criteria and verification processes. These processes prevent the programmes from being more flexibly expanded in case of shocks. During COVID-19 responses, this might have had an influence on a strong preference for one-off temporary support programmes, rather than expanding existing instruments.

Moreover, while financing of responses to large shocks appears to be one of the most important challenges in establishing shock-responsive social protection systems, Aruba has very limited options for financing contingent liabilities, such as those arising from large

economic shocks. Apart from the crisis preparedness fund and the tourism emergency fund, there are no reserves specifically allocated to address disaster related shocks. The lack of these reserves becomes evident from the need to adjust the 2020 financial budget and find external financing for further (economic) measures taken in response to COVID-19.

In response to the COVID-19 crisis and in order to bolster economic resilience, the government is in the process of establishing an 'Economic Innovation Fund'. The 2020 financial budget, which was approved on March 24, 2020, will likely face significant deviations both in terms of revenues and expenditures as the implications of the crisis continue to unfold.

The government's budget is also supplemented by relief financed as concessional loans by the Government of the Netherlands, including temporary aid in the areas of unemployment (AWG 214 million/USD 119 million) and Small and Medium-sized Enterprises (AWG 40 million/USD 22 million) both of which contribute to FASE and the Wage Subsidy programmes described above. The concessional loans also include funding for the General Health Insurance and Social Insurance Bank of Aruba (SVb) (AWG 429 million/USD 238 million) to cover the additional deficits of the social insurance funds of the AZV and the SVB, resulting from the closure of most companies. The concessional loans are accompanied by various conditionalities, most notably relating to the compensation of public sector employees and a reduction in the expenses of the social insurance fund. While none of these conditions so far relate to the provision of social assistance, they will have an indirect effect by limiting resources available.

While the liquidity support provided by the Netherlands helped cover the cost of the government's COVID-19 relief measures, one of the country-specific conditions attached to the loan was a reduction of the expenditures of the General Health Insurance. This condition was particularly difficult to meet as medical expenses increased significantly as a result of the pandemic and it appears that wages of health care staff had to be cut back (The Daily Herald, 2020). In view of the decline in social security contributions and government revenue due to the economic impact of the COVID-19 pandemic, a foreseeable challenge arising from the crisis is to ensure the financing of the general health insurance system in Aruba.

Importantly, interviewees believed that the demand for FASE, Wage Subsidy, and Social Assistance will continue to grow as the effects of the crisis continue to deepen. Additional services will have to be created to meet arising needs. To map out the financial consequences of this crisis for Aruba, calculation scenarios were made together with the Central Bank of Aruba, with assumptions from Standard & Poor's and IMF. On top of the aforementioned incentive package, the government is expected to experience a significant shortfall in income due to a contracting economy and businesses and taxpayers will experience difficulties meeting their liquidity needs. All in all, the financing needs of the government were expected to reach AWG 1.3 billion (USD 720 million) in 2020.

If tourism is not able to resume promptly it appears that international assistance beyond that coming from the Netherlands might be required to overcome the crisis. The government now needs the approval of the Kingdom Council of Ministers to seek funds on the international market and from

international organizations in order to cover these additional funding needs.

6.2.2 System response

This section assesses system responses of social protection in Aruba to covariate shocks based on the underlying theoretical framework. In line with the framework, there are different strategies that may be employed to scale up the overall level of support that the system provides to vulnerable people during or after a shock. These include vertical or horizontal expansion, piggybacking, alignment and design tweaks (see section 2.1).

Prior to the COVID-19 crisis, Aruba had some experience with scaling up social protection programmes horizontally in response an increased number of applications following large-scale shocks (see section 6). The most notable in the number of persons receiving benefits under *Bijstand* was seen following the 2008 global financial crisis and in the years following the closure of the Lago Oil refinery in 1984.

The COVID-19 emergency demonstrates that social protection systems in Aruba are capable of supporting several types of responses in case of shocks with relative success:

- The *Bijstand* (main cash transfer programme under social assistance) was both tweaked and horizontally expanded as a result of an increase in the number of applications, the latter being inevitable in the case of a legally guaranteed entitlement and a large economic shock. However, no vertical expansion occurred, although it is possible *Bijstand* beneficiaries are very vulnerable to the impacts of COVID-19.
- There was a significant expansion of the social protection system through the implementation of two new programmes for workers in formal employment – FASE and the Wage Subsidy - relying on the country's large social security and labour related institutions and systems. It is important to note that FASE has acted as a de facto unemployment programme, given that Aruba does not have any regular unemployment benefits.
- There has been a certain degree of alignment with NGOs to provide benefits to those who are not eligible for the government-managed programmes/benefits.

Overall, the main obstacles to these system responses appear to arise from limited disaster risk financing options and a large number of undocumented or ineligible but vulnerable populations. As it relates to disaster risk financing, the government faces challenges to scale up and maintain the benefits that were first implemented during COVID-19 responses as well as its safety net (*Bijstand*) because of limited contingency financing and the now protracted nature of the crisis. As for the vulnerable undocumented populations, the government has an internationally contracted obligations to support people who are in the country but does not have the social protection programmes to do so, which means that it relies on NGOs, with whom it appears to coordinate to a certain extent.

7 Towards more shock-responsive social protection in Aruba

The COVID-19 crisis has highlighted Aruba's social and economic vulnerabilities and might have increased risk awareness among government and non-government stakeholders. It also highlighted the important role social protection can play in mitigating social impacts resulting from large-scale shocks. Thus, the government has drawn on regular social protection programmes and introduced new, specific programmes to meet increased needs.

As the country moves to explore alternative development paths that are less reliant on tourism, it would be very valuable to consider the critical role social protection might play both in reducing vulnerabilities to large shocks as well as in responding to them. Here we provide a number of recommendations that might support the Aruban Government and civil society in exploring the use of the social protection system to manage and respond to shocks.

7.1 Recommendations

The recommendations are presented in five broad areas:

1. Strengthen understanding and awareness of social risks and vulnerabilities and the role of social protection instruments in managing them

Risks and Hazards. As a first step, it might be relevant to increase the government's and other stakeholders' understanding and awareness of risks and vulnerabilities that have a potential for widespread social and economic impacts, as well as the role formal and informal social protection instruments might play in managing them. While an important focus in the Caribbean tends to revolve around natural hazards, in Aruba it might be important to explore a number of other important risks as well:

- Economic shocks and impacts on income: A large portion of risks Aruba face are of economic nature, and stem from its reliance on tourism; their impacts might affect people – especially socially vulnerable people - more than shocks with more visible impacts on infrastructure. This is clearly the experience of COVID-19, where the main impacts have not been associated with public health, but with loss of income, jobs, and food access issues.
- Food security: Given the country's location and natural resources, and the need to import large quantities of the food consumed, this might be an important risk. Understanding social vulnerabilities associated with it, and ways to reduce them would yield insights to inform future measures.
- Higher frequency, lower intensity or localized natural-hazard related risks: Smaller scale covariate shocks and stressors are likely to create impacts, especially for vulnerable groups, that are not as visible, but that can increase people's poverty and vulnerability and reduce well-being. While catastrophic events might occur from natural hazards, less widespread but more common events

will disproportionately affect vulnerable populations (flooding, storms, and extreme heat, for instance, are known to affect particularly vulnerable groups such as the elderly and people with disabilities).

- Climate change: Aruba is an insular state exposed to higher sea levels, more frequent and intense storms, and, as seen recently, potentially less rainfall at times. Climate change is likely to intensify the risks described above and an understanding of compound risks will be key.

Vulnerability and Poverty: We suggest exploring options to define a poverty line and conducting assessments to understand vulnerabilities of different groups.

First, a poverty line would be a powerful tool to quickly identify income-related vulnerability in Aruba. However, it is unclear how different people experience the impacts from different shocks in the country. We did not find any social vulnerability assessments in the country. Understanding these potential impacts is important for shock-responsive systems, as it allows to reach those who are most likely to need support more quickly and efficiently.

Secondly, in the medium to long-term future, the establishment of a social registry could be considered which would provide baseline data on the broader population. Such a registry can be a powerful tool to support disaster preparedness and response and recovery efforts. The social registry data on non-beneficiaries could be leveraged in response to shocks to support the expansion of social protection beyond those already enrolled in social protection programmes. It could also support the targeting of programmes that aim to build resilience by helping to identify vulnerable households.

2. Develop social protection policies, programmes and instruments that take into account risks from shocks

While the social protection institutional structures and entitlement are well established in the country's legal framework, social assistance benefits are based on individual review of cases, making it difficult to scale up in larger shocks. The legal right to social assistance and social security for residents of the country is a hallmark of a highly developed social assistance system. It could be complemented by a specific policy and legislation that considers its role in dealing with social impacts of large shocks.

The government might explore developing a shock-responsive social protection strategy or policy that complements existing policies and defines the role of social protection in dealing with large and mid-size shocks, and in reducing large scale risks. This policy could also complement existing disaster risk management policies and outline the roles of the DSZ, labour, and social insurance departments in crisis preparedness and response. It could offer guidance to civil society on the vision for emergency response and disaster risk reduction through social protection.

Moreover, investments in regular social protection programming, such as the development of an integrated information system, can also benefit shock responses. For instance, an integrated registry combining beneficiary data from different programmes and departments could be used to capture data on beneficiaries of temporary emergency programmes and would facilitate the cross-referencing

of data on these beneficiaries with that on regular social protection beneficiaries. Here we make some recommendations for areas that could be improved in the short, medium and long term and would contribute to such goals.

3. Assess feasibility and adequacy of different types of response to shocks in advance

Based on the recent COVID-19 responses, we recommend considering ways in which shock-responsive social protection programmes can respond in different emergencies. It is important to keep in mind that an economic shock might require very different kind of responses to a natural-hazard related shock. In assessing such options, it would be important to consider the lessons from the implementation of specific COVID-19 responses, as well as of developing solutions that adjust to the particular context of Aruba.

Moreover, it will be important to consider the important role NGOs play in the delivery of support during the emergencies and ensuring that any strategy plays to the strengths of the existing system.

We recommend exploring the following options:

- Prioritize the plans on a country-wide, formal, contributory unemployment programme, given the large exposure to economic shocks. The COVID-19 crisis highlighted the limitations of the current schemes to deal with large impacts of economic shocks. While the wage subsidy scheme was able to support employment in the short term, it might not be suitable for the type of crisis the country now faces, open-ended and of uncertain duration. FASE acted as a de facto unemployment programme, but it was based on contributions.
- Assess ways to improve the flexibility and scalability of current social assistance benefits, possibly allowing for horizontal and vertical scale up to address the needs of vulnerable persons and households. Develop capacity and rapid assessment tools to better inform the type of support needed in emergencies.
- Consider expanding the range of available modalities of assistance and delivery mechanisms for future emergency responses (e.g. electronic food vouchers, cash transfers)
- In collaboration with NGOs, explore options for establishing temporary cash grants or vouchers in times of crisis that can support migrants and refugees, as an interim solution while more permanent ones are found.
- Explore the feasibility of taking part in agreements on portability of benefits across countries for migrants.

4. Explore the role of social protection and as a recovery and long-term vulnerability and risk reduction tool

The COVID-19 crisis has highlighted the vulnerabilities Aruba faces. Because of its extended and open-ended duration, it has also prompted a different kind of risk awareness, and possibly, a will to explore alternative development paths that are less dependent on tourism. We recommend exploring the role social protection can play as one of the tools for Aruba to diversify its economy and reduce reliance

on tourism, for instance by developing long term programmes that allow people and businesses to transition into new industries.

While the Government swiftly set up new programmes to respond to the impacts of COVID-19 (FASE and the Wage Subsidy), these programmes encourage people to remain employed or within the same sector, which is helpful in the short term but might not be in the long term. To ensure flexibility of the labour market while also protecting people, a more direct safety net could be more efficient. Possible interventions the government could consider increasing resilience and reduce vulnerabilities include:

- A post COVID-19 recovery programme that transfers incomes and new skills, especially for youth, in the form of a conditional cash transfer, linked to active labour market programmes, and creating skills
- A cash transfer plus, or employment-based programme that promotes behaviours associated with diversifying livelihoods and reducing risks, such as small agriculture, a vegetable gardens programme, etc. linked to food production or tourism
- Linkages to the interventions of civil society organizations can create synergies and provide additional benefits. For instance, small scale agriculture or gardens can provide products to food banks.

5. Develop a solid, long-term, risk informed financing strategy for social protection

Financing of regular social protection and disaster risk financing are amongst the most crucial issues Aruba faces in developing systems that more adequately address poverty, vulnerability, and exclusion in normal times as well as in emergencies. Our recommendations here are geared towards developing a disaster risk financing strategy, although it will be important to consider how such strategy sits alongside the regular financing of social protection.

- Continue to develop a comprehensive disaster risk financing strategy
- Link the disaster risk financing framework to shock-responsive social protection
- Explore alternative, layered financial instruments
- Explore innovative instruments such as tourism-based parametric insurance
- Consider developing a continuously maintained database of disaster-related loss and damage, linked to a broader asset management database, as a starting point for tracking post-disaster expenditures and closing the fiscal gap in ensuring robust post-disaster response.
- Explore ways to expand insurance availability and affordability to address the needs of vulnerable populations.

Table 3: Recommendations for making social protection systems more shock-responsive

Preparedness category	Short- and medium-term recommendations	Medium to Long-term recommendations
<p data-bbox="207 527 435 625">Policy, programmes and institutions</p> 	<ul data-bbox="467 363 943 682" style="list-style-type: none"> • Consider developing protocols for scale up of programmes during disasters • Prioritize the plans for a country-wide, formal, contributory unemployment programme, given the large exposure to economic shocks 	<ul data-bbox="974 363 1450 919" style="list-style-type: none"> • Explore developing a shock-responsive social protection strategy or policy that defines the role of social protection in dealing with covariate shocks and in building resilience • Consider establishing social protection programmes that increase resilience and reduce vulnerabilities (e.g. recovery programmes that transfer incomes, new skills and/or contribute to livelihood diversification)
<p data-bbox="233 1192 412 1262">Information management</p> 	<ul data-bbox="467 951 943 1667" style="list-style-type: none"> • Conduct a comprehensive analysis of risks and vulnerabilities and the role that formal and informal social protection instruments might play in managing them • Establish data sharing agreements between government and non-government organizations to improve sharing of beneficiary data in emergencies • Develop a plan for post-disaster needs assessments that identify the main needs of communities and households • Strengthen the management information system (MIS) for all DSZ programmes 	<ul data-bbox="974 951 1450 1591" style="list-style-type: none"> • Consider establishing a national registry (or social registry) that connects the different databases under the Ministry of Labor and Social Assistance and the SVb • Create an MIS for all programmes in the Ministry of Labour and Social Affairs. • Assess the feasibility of a central or common database between government and civil society • Develop capacity and rapid assessment tools to better inform the type of support needed after shocks

Preparedness category	Short- and medium-term recommendations	Medium to Long-term recommendations
<p>Targeting</p> 	<ul style="list-style-type: none"> • Develop protocols for simplified eligibility criteria for social assistance benefits in times of crisis 	<ul style="list-style-type: none"> • Adjust the targeting of social assistance benefits to include consideration of people's vulnerabilities to different shocks • Develop digital systems, including online application for beneficiaries both for normal and crisis times • Align the targeting criteria of different government and non-government social assistance programmes to ensure better inclusion of vulnerable groups and less duplication of support in normal and crises times • Explore options to define a poverty line and conduct assessments to understand vulnerabilities of different groups
<p>Delivery mechanisms</p> 	<ul style="list-style-type: none"> • Assess ways to improve the flexibility and scalability of current social assistance benefits to address the needs of vulnerable persons and households after shocks • Develop protocols for awareness, feedback, and grievance mechanisms during emergencies, to enable easier communication with potential and actual beneficiaries • Assess options to reduce applications processing times such as streamlining applications and making online options available 	<ul style="list-style-type: none"> • Consider mechanisms to pay cash transfers through banks rather than the post office • Enhance surge administrative capacity to process benefits in emergencies • Consider ways to support volunteers delivering services, including through psychosocial support

Preparedness category	Short- and medium-term recommendations	Medium to Long-term recommendations
<p>Coordination</p> 	<ul style="list-style-type: none"> • Improve communication and planning within the social protection institutions among themselves (DSZ, SVb, DPL, DAO) • Run simulations to test coordination protocols on social assistance in emergencies • Consider ways to incorporate NGO representation in the DRM structures & frameworks 	<ul style="list-style-type: none"> • Encourage collaboration among various stakeholders (e.g. NGOs, private sector) in crisis preparedness, especially aligning information systems and data-sharing in advance of a shock • In collaboration with NGOs, explore options for establishing temporary cash grants or vouchers in times of crisis that can support migrants and refugees
<p>Finance</p> 	<ul style="list-style-type: none"> • Explore alternative, layered risk financing instruments including innovative instruments such as tourism-based parametric insurance 	<ul style="list-style-type: none"> • Continue to develop a comprehensive disaster risk financing strategy including a framework that links DRF to shock-responsive social protection • Explore establishing a continuously maintained database of disaster-related loss and damage for tracking of post-disaster expenditures • Explore ways of expanding insurance availability and affordability

8 Conclusion

There are important opportunities to make Aruba's social protection system more responsive to shocks. Aruba has a sophisticated social protection system, which is also linked with disaster risk management through legal and institutional frameworks. Due to the limited coverage of social assistance benefits, and the lack of shock-responsive protocols for social protection, it has been challenging to scale up such benefits in emergencies. The country's strong legal framing of social protection benefits as well as its residual safety net approach provide a strong basis and rationale for an increased role of social protection in disaster risk management.

The impacts of COVID-19 have led to increased risk awareness in Aruba, providing an opportunity to consider alternative development paths that address some of these risks. The response to COVID-19 has also highlighted the important role that social protection can play in meeting increased needs and mitigating the negative impacts resulting from covariate shocks. While the government successfully introduced new social protection programmes and expanded existing ones, certain operational challenges were encountered in quickly scaling up and adjusting systems to provide adequate support. Lessons learned from these experiences provide a valuable opportunity for preparing systems to better respond to future shocks, including through policies and protocols that clearly outline the role and processes of social protection in dealing with covariate shocks.

Given the important role of NGOs in meeting increased shock-related needs and in supporting those who do not qualify for government programmes, they are key stakeholders for the development and implementation of a policy on shock-responsive social protection. While there are strong partnerships between the government and NGOs in delivering regular and emergency social assistance benefits, there is potential for improving coordination, including with regard to targeting and data management.

While the strengthening and expanding of social protection is important in its own right, any investment into systems and capacity building should give consideration to the role that social protection can play in managing the risks associated with covariate shocks. This case study offers practical recommendations to enable shock-responsive social protection through risk-informed preparedness measures and investments that will not only enhance the capacity of systems and programmes to expand at scale but also improve their day-to-day core functions.

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Annex A Research questions

Theme	Questions
STAKEHOLDER MAPPING AND ANALYSIS	<ul style="list-style-type: none"> • Who are the different actors involved in social protection and DRM policies and systems, including their roles, responsibilities and influence on social protection and DRM? • What are their views on the use of social protection systems to respond to shocks and closer collaboration between the social protection and humanitarian communities? • Is there an effective agency 'home' for a) social protection and b) DRM systems? Are roles and responsibilities clear? • Are there sector champions for SP and/or DRM? Are there potential obstacles from some stakeholders?
INSTITUTIONAL MAPPING AND ANALYSIS	<ul style="list-style-type: none"> • What is the relationship between the government and humanitarian actors, development partners and NGOs? • What is the institutional relationship between national and subnational governments related to the design and implementation of social protection and disaster response? • What factors have promoted or hindered the coordination of social protection with disaster response interventions for effective responses to shocks?
ORGANISATIONAL CAPACITY	<ul style="list-style-type: none"> • What are the main administrative and organisational constraints and facilitating factors for effective social protection and DRM? • What resources and gaps exist, and what would be required for a more shock-responsive social protection system?
RISKS AND SHOCKS	<ul style="list-style-type: none"> • Which are the major shocks affecting the country? How does vulnerability to shocks relate to poverty?

Theme	Questions
DISASTER RISK MANAGEMENT	<ul style="list-style-type: none"> • What are the policies and legal frameworks underpinning DRM? • What are the main characteristics of assistance provided during disasters? • What assessments are undertaken and how is the data collected, stored and used? • Are early warning systems in place, and if so, how are triggers acted upon? • Do national emergency response plans provide a role for social protection in the immediate response?
SOCIAL PROTECTION	<ul style="list-style-type: none"> • What are the policies and legal frameworks underpinning social protection and how are they implemented? • What are the programmes, their coverage and main benefits provided (type/amount)? How are they targeted? • How is social protection data collected, stored and managed (including whether a registry exists)? • Have social protection delivery systems been affected by recent shocks and/or managed to keep delivering benefits during emergencies?
SHOCK/DISASTER RISK FINANCING	<ul style="list-style-type: none"> • How are disaster responses funded (domestic v. international resources, insurance, contingency funds)? • Are there financial and budget constraints for timely, adequate and appropriate use of social protection systems as part of shock responses? If so, are there ways to resolve these?

Theme	Questions
<p>SHOCK-RESPONSIVE SOCIAL PROTECTION and COVID-19</p>	<ul style="list-style-type: none"> • Are there experiences in the country of using social protection programmes or systems to respond to shocks? • How has social protection been used in response to COVID-19 and what are emerging lessons? • (How) can these lessons be applied for future responses to other shocks? • What SP schemes and features of the SP system have elements of flexibility and adaptability to facilitate rapid and adequate shock response? • Has there been any recent experience of coordination between, or integration of, social protection and DRM policies? • What are the plans for COVID-19 SP measures in the near and medium term future?

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