



Uganda Country Snapshot

Build the Resilience of Rural Households against Natural Disasters in Northern Uganda



Uganda is particularly vulnerable to disasters, and droughts in particular impact the economy. The NUSAF III program aims to strengthen the resilience of vulnerable households against natural disasters. During the 2016 El Niño drought, US\$4 million was rapidly mobilized through NUSAF to finance disaster response.



A population reliant on agriculture

Uganda's predominantly rural population consists mostly of smallholder farmers who are subject to several production constraints and have limited capacity to cope with recurrent shocks. The country has made significant gains in reducing poverty—the share of people living in poverty fell from 62 percent to 35 percent between 2003 and 2013—but the poorest 40 percent of households remain exceptionally vulnerable to drought and price shocks.¹



An economy exposed to shocks

Uganda is particularly vulnerable to disasters, and droughts in particular can impact the economy. The droughts in 2010 and 2011 caused damages and losses of US\$1.2 billion, or 7.5 percent of Uganda's GDP in 2010. The drought of 2016 due to the El Niño event affected 1.3 million people, lowering Uganda's growth forecast from 5 to 3.5 percent.



Social Action Fund from the World Bank

Under the [Third Northern Uganda Social Action Fund \(NUSAF III\)](#), the country is seeking to ensure that development gains are protected by social safety nets. NUSAF III, a US\$130 million International Development Association (IDA) lending operation, builds on *Reducing Poverty and Investing in People*, a publication of the World Bank Group's Social Protection and Labor Global Practice.²

The results from NUSAF III show that safety net systems can provide additional support in times of crisis, help to defend the welfare of vulnerable households, and enable them to develop strategies to build their resilience.

Project

NUSAF III is led by the [Social Protection and Labor Global Practice](#) and aims to provide effective income support to and build the resilience of poor and vulnerable households in Northern Uganda through labor-intensive public works (LIPW) and livelihood income support activities.

This project has a [US\\$12 million disaster risk finance \(DRF\) component](#), with two objectives: (i) to develop the processes and systems in government that can be used to rapidly identify and respond to shock events, and (ii) to finance additional support to vulnerable households immediately following a disaster or shock through an automatic expansion (scaling up) of the LIPW activities under NUSAF III.



¹ R. Hill and C. Mejía-Mantilla, "With a Little Help: Shocks, Agricultural Income, and Welfare in Uganda," Policy Research Working Paper 7935, World Bank Group, Poverty and Equity Global Practice Group, January 2017.
² Victoria Monchuk, *Reducing Poverty and Investing in People: The New Role of Safety Nets in Africa*, Directions in Development (Washington, DC: World Bank, 2014).

For poor and vulnerable households, this additional support in times of crisis is intended to safeguard hard-won development gains that would otherwise be lost due to shocks.

The DRF component is initially being piloted in Karamoja, a region particularly exposed to droughts and one where more than 80 percent of households live below the poverty line, relying heavily on low-productivity subsistence agriculture.

The Finance and Markets Global Practice has partnered with the Social Protection and Jobs Global Practice to lead the work under the DRF component. This work has been supported by trust fund resources from the Swedish International Development Association. Thus far, the World Bank Group team and the government of Uganda have (i) streamlined data collection and analysis to support decision makers understanding drought conditions in the Karamoja region and in developing an appropriate index to monitor drought; (ii) established clear triggering rules for disbursement of funds from the DRF component; and (iii) set aside US\$10 million of the resources to act as a contingent line of credit, which can be drawn down to finance the expansion of LIPW when the trigger is hit.

Results

The El Niño event in 2016 caused a widespread absence of rain on the African continent, contributing to a humanitarian crisis in many countries, including Karamoja, where drought was pervasive. The data system developed by government captured the drought in Karamoja and triggered a scaling up of the LIPW.

To finance this scaling up, US\$4 million was rapidly drawn from the US\$10 million reserve fund. It is expected that the scaled up LIPW will provide disaster assistance to about 30,000 households (150,000 people) in Karamoja—that is, to about 20 percent of households in the region. This is in addition to the core beneficiaries of about 5,000 households (25,000 people) already receiving assistance.

Over the life of the project, the DRF component of NUSAF III is estimated to finance the cost of scaling up LIPW to 84,000 additional households.

Lessons Learned

A disaster risk financing strategy needs to be developed in advance to ensure rapid flow of funds for a scale-up once triggered. The expansion of a safety net program needs to be implemented quickly if it is to be an effective means to protect household (HH) welfare following a crisis event, which means a DRF strategy should be in place. In the case of the NUSAF III program, the World Bank collaborated with the Government of Uganda to access financial resources from the IDA, totaling US\$130 million, with US\$12 million specifically dedicated to the DRF component. A total of US\$10 million was set aside to finance scale-ups over the five-year project period.

It is important that the data source used to trigger a response is independent and objective, as this is part of a transparent, rules-based approach to when and how extensively a safety net program expands. There should be an objective indicator for the impact of a crisis on HH welfare, with a pre-defined threshold to trigger response. There should also be agreement in advance on how many HHs will benefit from support, in what regions, for how long, etc. This avoids politicization of response, which can lead to costly delays. In the case of the NUSAF III program, an index of satellite-based observations of ground vegetation was used as an indicator of drought conditions and was the trigger for implementing a scale-up. Secondary indicators are also important. In the case of NUSAF III, the secondary indicator selected was the Integrated Food Security Phase Classification (IPC), which in August 2016 identified a crisis in a district that wasn't identified by the satellite data.

As shock-responsive safety nets are a new concept, it was critical to have a dedicated individual at the technical level to develop DRF capacity within key government agencies. Scalability components need to be mainstreamed into the standard operations of a project, and it is important that the broader project team is aware of the scalability mechanism. For NUSAF III, a dedicated individual was hired in the technical support team to develop the capacity of key national and local actors on how the DRF mechanism functions.

The Disaster Risk Financing and Insurance Program (DRFIP) is a joint program of the World Bank's Finance and Markets Global Practice and the Global Facility for Disaster Reduction and Recovery (GFDRR). As a leading provider of analytical and advisory services on disaster risk finance, it helps governments, businesses, and households manage the financial impacts of disaster and climate risk without compromising sustainable development, fiscal stability, and well-being.

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