A growing number of low- and middle-income countries are investing in social safety nets to improve the lives and livelihoods of their poor and vulnerable residents. But around 55 percent of the world’s poor, or 773 million people with acute needs, still lack safety net coverage.

According to the World Bank report *The State of Social Safety Nets*, more than 1.9 billion people in 136 low- and middle-income countries are now beneficiaries of social safety net programs. In Africa alone, the number of countries setting up such programs has doubled over the past three years, and rigorous evaluations prove that these programs work to reduce poverty. But the gains made possible by social safety nets can be undermined by disasters, which tend to have the highest impact on the poorest. Recent studies show that disasters drive over 26 million into poverty each year.¹

Under the Third Northern Uganda Social Action Fund Project (NUSAF III), Uganda is seeking to ensure that development gains are protected by social safety nets:

- 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.²

- 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.³ This report shows 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.

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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.
- 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 and rely heavily on low-productivity subsistence agriculture.
- The Finance and Markets Global Practice has partnered with the Social Protection and Labor Global Practice to lead the work under the DRF component of the project. 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 officials in 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 through the DRF mechanism; and (iii) set aside US$10 million of the resources to act as a reserve fund, which can be drawn down to finance the expansion of LIPW.

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 in the Karamoja region, 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 Learnt

- A disaster risk financing (DRF) 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 financial 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 International Development Association (IDA), totaling US$130 million for the NUSAF III program and US$12 million specifically dedicated to the DRF sub-component. US$10m was set aside to finance scale-ups over the 5-year project period.
- It is important that the data source used to trigger a response is independent and objective, as this leads to a transparent, rules-based approach to when and to what extent a safety net program expands. This requires an objective indicator for the impact of a crisis on HH welfare, with a pre-defined threshold to trigger response. It also means agreeing in advance 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 was selected as the Integrated Food Security Phase Classification (IPC), which in August 2016 identified a crisis in a district which wasn't identified by the satellite data.
- As safety net scalability is 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’s important that the broader project team were 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.

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