

SHOCK RESPONSIVE SOCIAL PROTECTION

Disaster Risk Finance



Disaster Risk Financing
& Insurance Program



SUPPORTED BY
WORLD BANK GROUP



Global Risk
Financing Facility

Supporting Early Action to Climate Shocks, Disasters, and Crises





What is Disaster Risk Finance?



Enabling earlier, predictable action to protect lives and livelihoods and safeguard growth and development



Pre-arranged finance to increase the speed, predictability and effectiveness of disaster response and recovery

Increasing the financial resilience of the national and subnational governments, businesses, households, farmers, and the most vulnerable against natural disasters by implementing sustainable and cost-effective **financial protection policies and operations.**

The Four Core Principles of Disaster Risk Finance



Timeliness of funding:
speed matters but not all
resources are needed at
once.



**No single financial
instrument can address
all risks.**



**How money reaches
beneficiaries is as
important as where it
comes from.**



**To make sound financial
decisions you need to
have the right
information.**

Multiple Benefits of **Responding Early** to Shocks



Direct Welfare Benefits

Late response can lead to decreased child nutrition and reduction in income per capita (GDP). Studies showed that the later the response, the more costly the impact for households.



Pre-empt negative coping strategies

Households tend to cope with disasters by selling livestock and productive assets and reducing food consumption. These responses often have long-term effects.



Reduces the cost of response

According to recent studies, a late humanitarian response costs approximately 7 times that of an early response, and donors could save up to 30% on humanitarian aid spending if investment was provided earlier.



Macro-economic impact

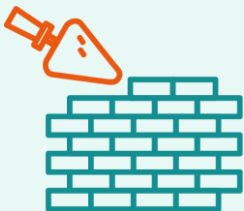
Financing disaster responses means governments must divert scarce resources away from basic public services undermining national development. The extra costs associated with late response exacerbates this.

Why is scalability important in the context of disasters?



The disproportionate impact of disasters on the poor is well established.

Because the humanitarian system operates on the basis of ex-post appeals for funding, delays in mobilization of funds are not uncommon, and livelihoods often suffer as a result.



SRSP needs to be built as part of a larger DRF strategy, so that governments understand before a crisis hits how the cost of scaling up social protection programs will be supported and can be sure that adequate resources will be available.

Malawi's National Disaster Risk Financing Strategy

Mission: "To proactively manage economic and fiscal risks as well as protect public finances against disasters thereby reducing human, social, economic, and fiscal impacts."

DRF instruments:

- Disaster risk management fund
- Cat DDO (disbursed \$30 million to respond to the COVID-19 crisis)
- Agricultural insurance
- **Shock Responsive social protection**



Shock Responsive Social Protection

SOCIAL PROTECTION PROGRAMS THAT SCALE UP IN RESPONSE TO DISASTERS HELP TO SAFEGUARD POOR HOUSEHOLDS' LIVELIHOODS AND IMPROVE THEIR RESILIENCE TO CLIMATE-RELATED AND OTHER SHOCKS.



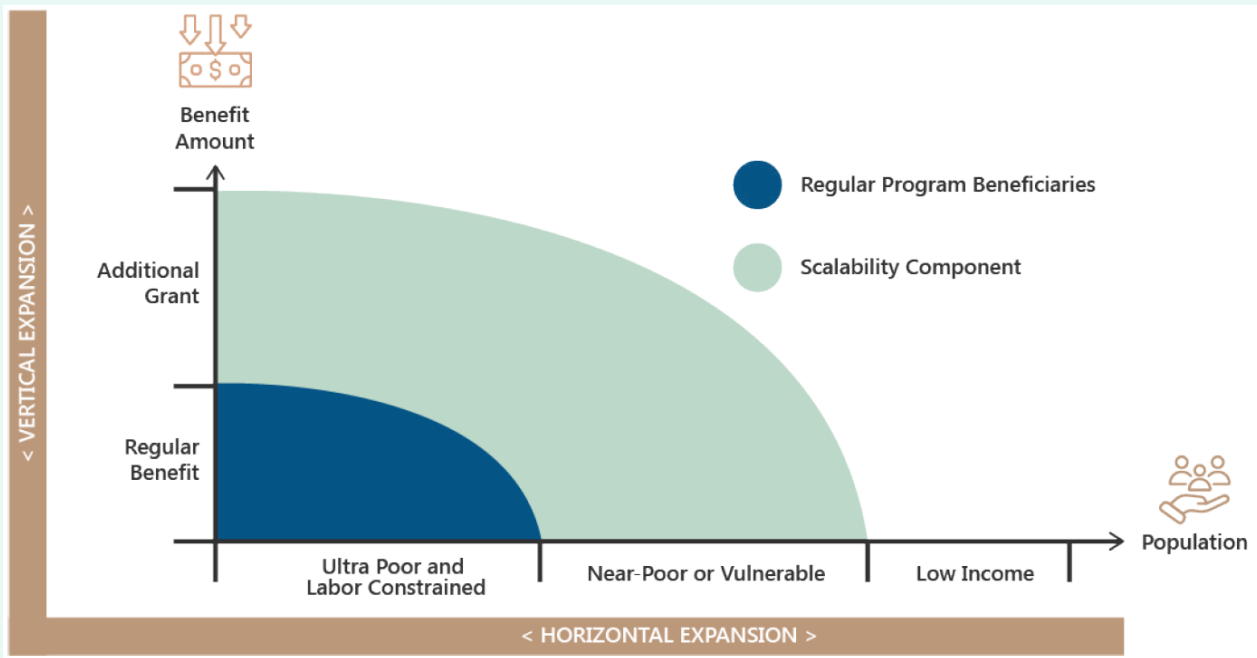
Shock responsive social protection (SRSP) programs are designed to assist the chronic poor during ordinary times and to expand assistance in response to a crisis or shock.



SRSP need ex-ante disaster risk finance (DRF) solutions in place to help facilitate rapid, targeted, and efficient post-disaster response.

Shock Responsive Social Protection

Social protection systems can be used by governments to respond to disaster-related shocks providing poor households with **rapid, timely, predictable, and targeted assistance**.



Shock Responsive Social Protection & Disaster Risk Finance

Reactive

Without DRF approach

1. Decisions to trigger a response often happens only after the crisis has hit
2. PDNAs or local vulnerability assessments might need to be undertaken to quantify impact
3. Funding appeals need to be made for the resources to respond
4. Decision to scale-up assistance is often made too late



Proactive

With DRF approach

1. Decision to trigger a response happens as soon as possible following a shock / before communities are severely affected by its negative impacts
2. Actors more inclined to act early as benefit of early action are acknowledge by all
3. Assistance to affected communities provided on-time

Shock Responsive Social Protection & Disaster Risk Finance



Timeliness of funding



Funds are available quickly when—and only when—they are required



How money reaches beneficiaries



Led by the Government and its policy priorities, partners are bound to pre-agreed objectives, decision processes, and implementation modalities.



No single financial instrument



Using a combination of instruments makes SRSNs more transparent, predictable and cover range of risks



Have the right information



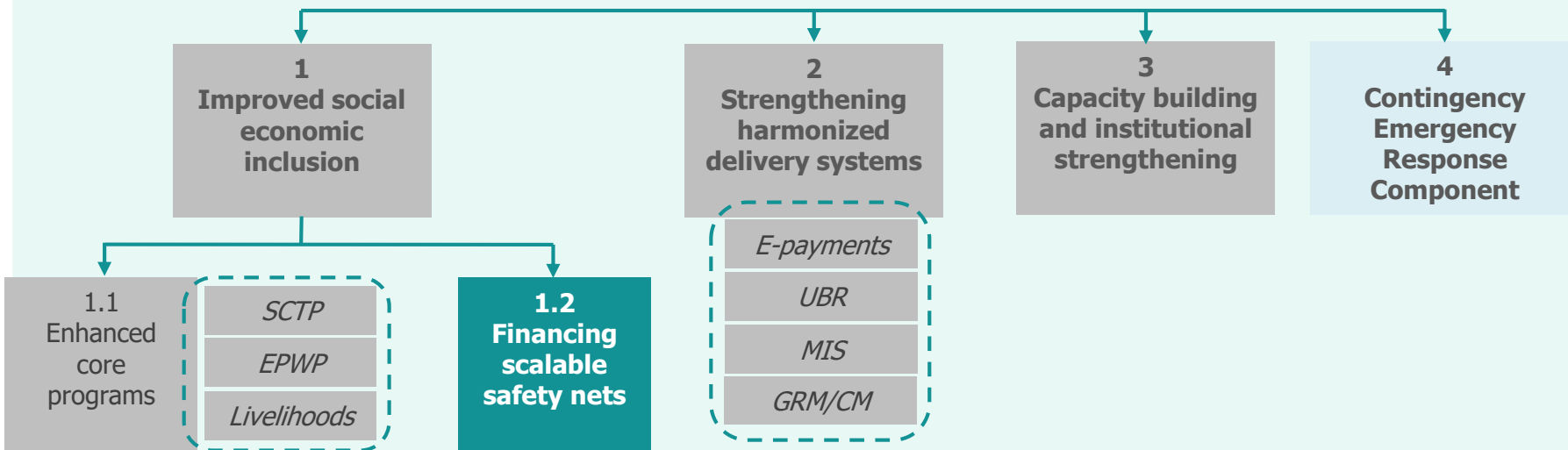
Data plays an important role in the design of the SRSN delivery mechanism

Malawi's Social Support for Resilient Livelihoods Project

Project Development Objective

To improve resilience among the poor and vulnerable population and strengthen the national platform for safety nets in Malawi.

Project Components



Malawi's Social Support for Resilient Livelihoods Project

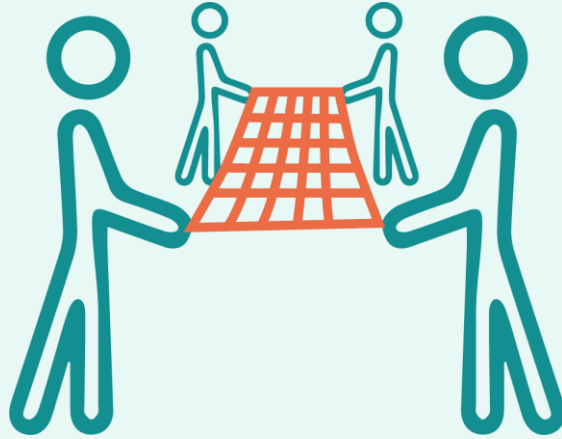
Project results for the subcomponent *1.2 Financing scalable safety nets*

Project Development Objective Indicators

Indicator	Baseline	End Project Target
Disaster risk financing mechanism is established for scalable SCTP	No mechanism exists	Mechanism established and functional in selected districts.

Intermediate Results Indicators by Components

Indicator	Baseline	Year 1	Year 2	End Project Target
Adoption of triggering mechanism for SCTP scale-ups	None exists	Indices as a basis for triggering scalability designed and adopted by GoM	Handbook adopted	Handbook adopted and in use
Number of households covered by SCTP scalability mechanism	0			250,000



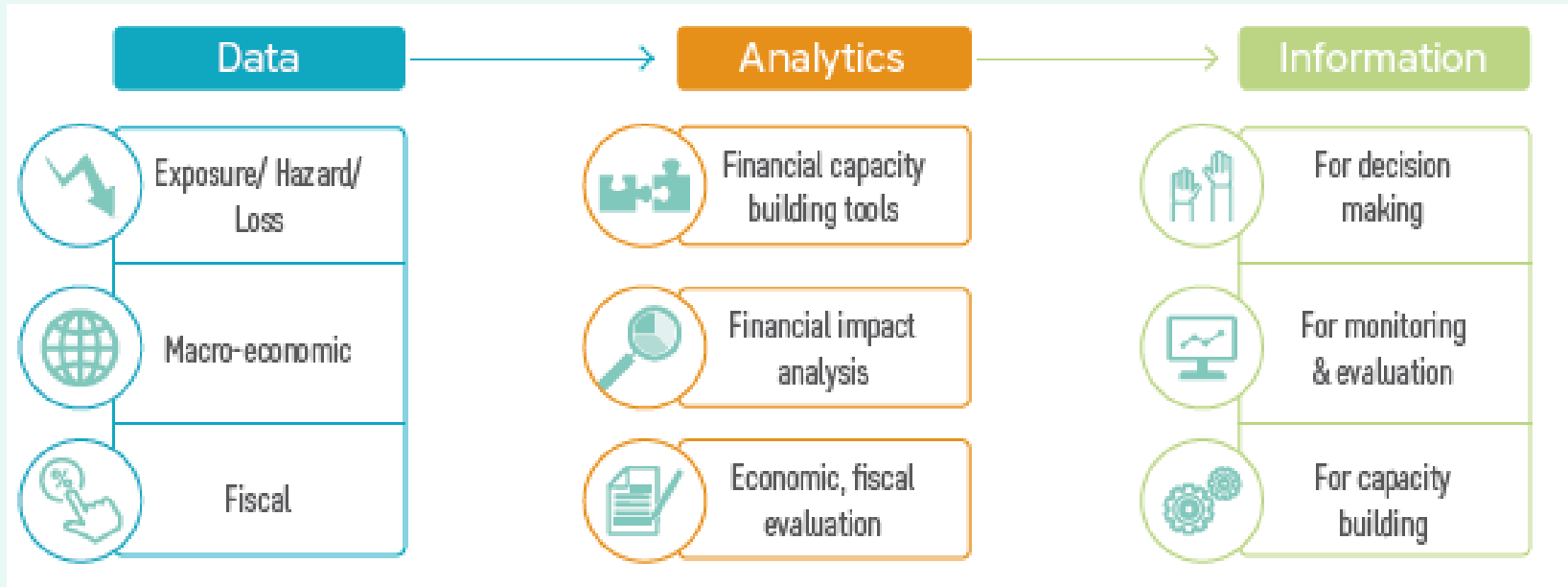
**Getting Started: Six steps
to establish finance for
shock responsive social protection**

Step 1 DEVELOP A RISK PROFILE FOR POOR HOUSEHOLDS TO DETERMINE WHAT THREAT IS LIKELY TO HAVE THE WORST IMPACT ON THEM

The risk profile helps determine the financial impact of shocks on poor households and relies on several sources:



Step 1 DEVELOP A RISK PROFILE FOR POOR HOUSEHOLDS TO DETERMINE WHAT THREAT IS LIKELY TO HAVE THE WORST IMPACT ON THEM



Objective and validated data can support transparent & open decision-making process.

Case Study: Uganda



Data from the 2012–2013 Uganda National Household survey showed that the Karamoja /North-eastern region of Uganda had the largest concentration of poor people in the country.



Data from the Ministry of Water and Environment (Republic of Uganda 2007) showed that drought was the most significant and pervasive climatic shock in Northern Uganda, and that the frequency of droughts is increasing.



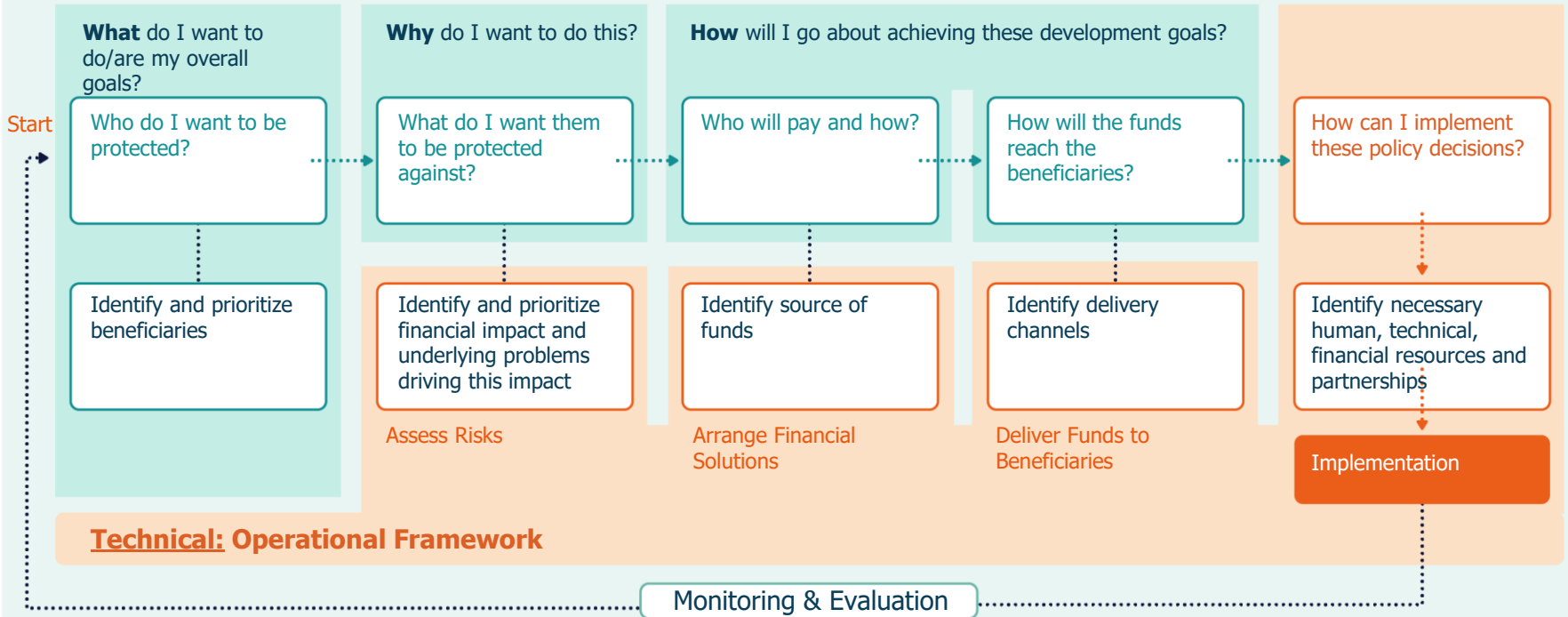
According to the survey, nearly three-quarters of the population in this area (74.2 percent) are poor, compared to under 20 percent nationally; with the lowest scores on several key poverty indicators, including stunting, primary school enrollment rate, and under-five mortality.



Drought is known to have a devastating impact on herders and subsistence farmers of Northern Uganda/Karamoja: It harms livestock and crop production, which disrupts economic growth and livelihoods, where poor households have faced famine and starvation.

Step 2 DECIDE ON POLICY PRIORITIES

Policy: Financial Protection Strategy & Action Plan



Case Study: Uganda

DETERMINING GOVERNMENT OBJECTIVES UNDER NUSAF III



Peril: The Government focused on drought, being the biggest risk with the highest economic cost in Uganda.



Location & Program: The Government focused the initial phase of the project in Karamoja, given the acute and chronic levels of poverty in the region, as part of their broader policy framework for rehabilitation in the north (see PAD for the policies it aligns to).



The final policy objective was to facilitate the shift away from food aid in Northern Uganda and toward public works programs and cash transfers.

Case Study: Uganda

DETERMINING GOVERNMENT OBJECTIVES UNDER NUSAF III



The **policy objective** which GOU sought to achieve was “to prevent household consumption from dropping after climatic disasters and to protect livelihoods and assets, leading to a more rapid post-crisis recovery”.

Related goals where to:

- Deliver post-disaster aid **rapidly**, which evidence shows is effective in preserving households’ well-being,
- Make aid **predictable and transparent**, so that households know when and how much aid to expect when a crisis occurs
- Allow government to **plan budget** accordingly

Step 3 Design the intervention's scalability mechanism, including what triggers will determine scale-up, which households will be covered where, and what level of aid they will receive.



Type of monitoring to conduct (e.g., ongoing, periodic, seasonal)



How scale-up process will unfold once triggered, including alignment with the existing safety net activities and selection of beneficiaries



Type of data to use in devising the trigger for the DRF mechanism, and what trigger threshold will prompt scale-up



Geographical area a scale-up is intended to cover, and through what administrative unit



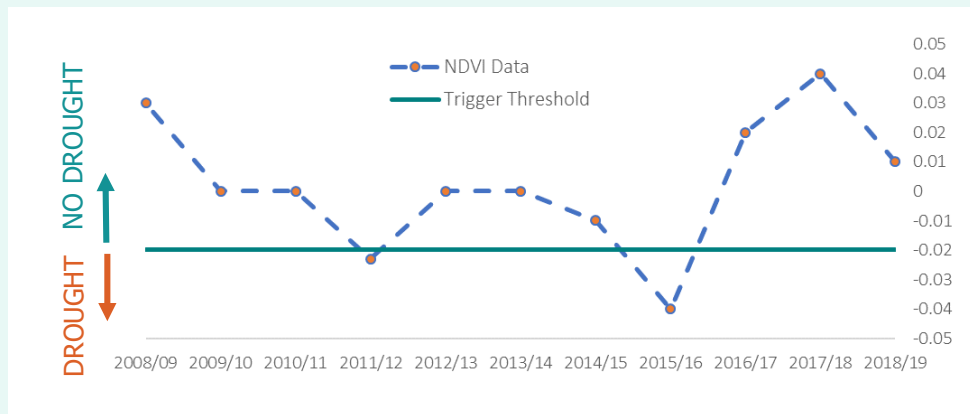
Number of beneficiaries

Case Study: Uganda

Primary and secondary triggers in the scalability framework for the cash-for-work program

Primary trigger: The GoU selected the Normalized Difference Vegetation Index (NDVI). It is:

- Accurate: reflects drought for pastoralists
- Timely: observed every 14 days and monitored monthly
- Objective: a satellite indicator



Secondary trigger: The GoU selected the IPC, as it consolidates wide-ranging evidence about food insecurity using data from several development partners. In Uganda, IPC reports are prepared annually.

IPC FOOD INSECURITY PHASES

Phase 1 Minimal	Phase 2 Stressed	Phase 3 Crisis	Phase 4 Emergency	Phase 5 Famine
← NO DROUGHT		DROUGHT →		

Case Study: Uganda

Other parameters in the scalability framework for the cash-for-work program

1. Population Coverage

(input percentage, cumulative)

4% Standard Coverage



20% After Scale-Up

2. LIPW daily cash amount

(input USD amount, cumulative)

1.65 Standard Wage



1.65 After Scale-Up
wage for standard
households

1.65 After Scale-Up
wage for additional
households

5,508 (UGX) Standard Wage



5,508 (UGX)
After Scale-Up wage for
standard households

5,508 (UGX)
After Scale-Up wage for
additional households

3. LIPW number of working days



14 Days

Average number of
days working during
project month

4. Length of LIPW project after scale-up

(select number of months)



4 Months

Project length after
scale-up (including
project preparation
time)

Case Study: Uganda

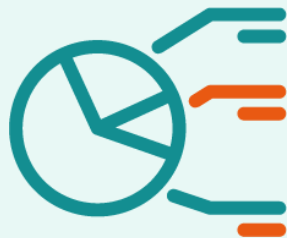
Operationalizing the scalability of the cash-for-work program

- 1. Data Collection:** The 1st Monday of each month during the rain season (April to Sept), the NECOC collects NDVI anomaly data for each district and submit to the DRF Coordinator. In August, the IPC report is also shared with the DRF Coordinator.
- 2. Draft Scalability Report:** The second Monday of each month, the DRF coordinator drafts a 'Scalability Report' summarizing data for the past month and whether thresholds have been reached in each district. If a scale up is triggered, the report includes a detailed scale up proposal.
- 3. Validate Scalability Report:** The second Tuesday of each month, the DRF Coordinator convenes a meeting of the Technical Committee. The Committee may supplement or modify the Scalability Report. Should a scale up be proposed and Committee needs to approve it.
- 4. Authorize Scale Up:** The Director of NUSAF III and the Commissioner of DPM shall meet with the PS OPM within five business days to present the report and recommendations. The PS OPM decides on whether to approve the scale up as proposed.
- 5. Communicate Scale up:** If a scale up has been triggered and approved the details of the scale up are formally communicated by Director of NUSAF III to the Chief Administrative Officer of the relevant districts.
- 6. Final Approval and Fund Release:** At the end of the drought period (i.e. September), the DRF Coordinator prepares a Final Scalability Report that follows the mentioned approval process. Once PS OPM approves, resources are requested to MoFPED and then to World Bank. Resources are disbursed through the NUSAF project channels.

Step 4 ESTIMATE THE COSTS OF THE SCALABILITY MECHANISM TO DETERMINE HOW FAR (CONSTRAINED) RESOURCES WILL GO



Modeling tools are needed and must be developed to determine the costs of scaling up SRSNs under different scenarios.



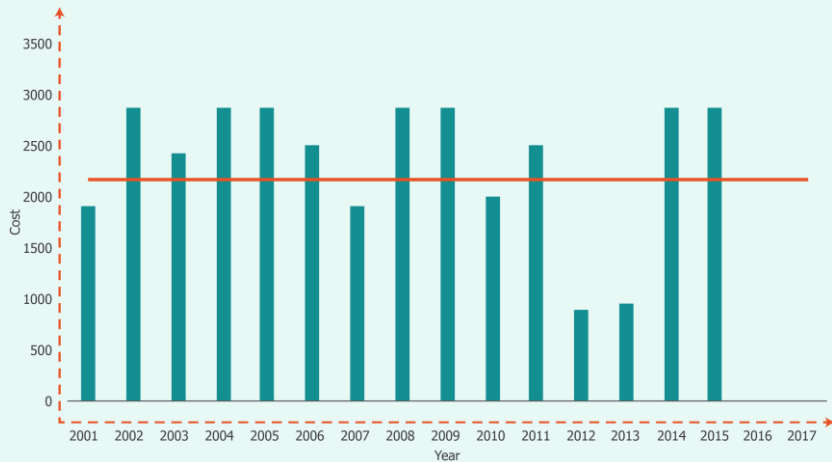
The model used should ideally be stochastic, capable of generating 10,000 years of simulations for the cost of the scalability mechanism.



These simulations would then create a distribution, which could inform the client of both the cost on average and the cost for more extreme events, such as a 1-in-50-year shock.

Case Study: Uganda

COSTING THE SCALABILITY MECHANISM DESIGNED

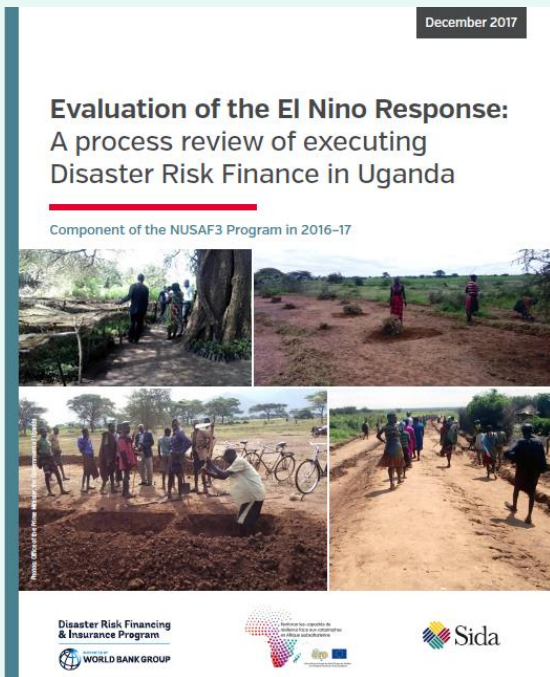


For NUSAF III, an Excel-based financial model was developed to estimate multiyear costs of scaling up LIPW, using historic NDVI anomaly monthly data to calculate how often each district reached the trigger threshold in the last 16 years (2001–2017).

This analysis found that a scale-up would have been triggered in each of the 16 years considered, at an average cost of US\$1.2 million per year. Other scenarios were also analyzed that included a larger or smaller percentage of the population, which respectively cost more or less than this figure.

Thus the government of Uganda needs an annual DRF budget of US\$1.2 million to ensure that scale-up is funded.

Step 5 FINALIZE THE MECHANISM RULES AND DEVISE A DRF STRATEGY TO SUPPORT COSTS



+ Scalability Mechanism = Financing Strategy

Case Study: Uganda

MOBILIZING FUNDS TO COVER THE COSTS OF THE MECHANISM



If the scale-up mechanism is triggered annually in Karamoja, as is expected, there is enough funding through NUSAF III to cover average annual costs over the next five years.

$US\$1.2 \text{ million} * 5 \text{ years} = US\6 million



The GoU allocated US\$12 million to the shock responsive mechanism over the five-year life of WB funded NUSAF III;

- US\$10 million for contingent financing to cover the costs of scale ups
- US\$2 million to build the systems and development of capacity in Government.

Step 6 CONDUCT MONITORING AND EVALUATION TO UNDERSTAND HOW THIS MECHANISM AND OTHERS LIKE IT THAT HAVE YET TO BE DEVELOPED—CAN BE IMPROVED.



Pillar 1:
Public Sector
Capacity
Development



Pillar 2: Analytical
Tool Development



Pillar 3: Knowledge
Management



Pillar 4: Monitoring,
Evaluation and
Learning Framework

Six steps towards strengthening financial resilience

Develop a risk profile



Decide on policy priorities



Design the Scalability Mechanism



Estimate the cost of Scalability Mechanism



Finalize the mechanism rules and devise a DRF strategy to support costs



Monitoring and Evaluation



Next Steps in Malawi: Where are we at? What can we do now?

WORKBOOK TIME!



Thank You!

