Shock-responsive Safety Nets

Kaavya Ashok Krishna
July 18,2018

Abstract

- Governments can use existing social protection systems and programs to rapidly aid the poorest after a disaster

- A Successful Shock Responsive Social Safety Net (SRSN) program has to be part of a Disaster Risk Financing Strategy

- The government’s policy priorities define the design on the scalability mechanism.

Four Core Principles of DRF

Timeliness of Funding

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

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

Partners are bound **to pre-agreed objectives, decision processes,** and implementation modalities.

No One Financial Instrument Can Address All Risks

Using a **combination of instruments** makes SRSNs more transparent, and predictable

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

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

Shock-responsive safety nets are composed of three key (and integrated) building blocks

Delivery Mechanism

Risk Information

Disaster Risk Financing

They can scale vertically—provide households already enrolled in safety net programs with more, or more frequent, benefits; or horizontally—add new beneficiaries (transitory poor) made more vulnerable by the disaster.

6 Steps to Financial Resilience

01
Develop a Risk Profile

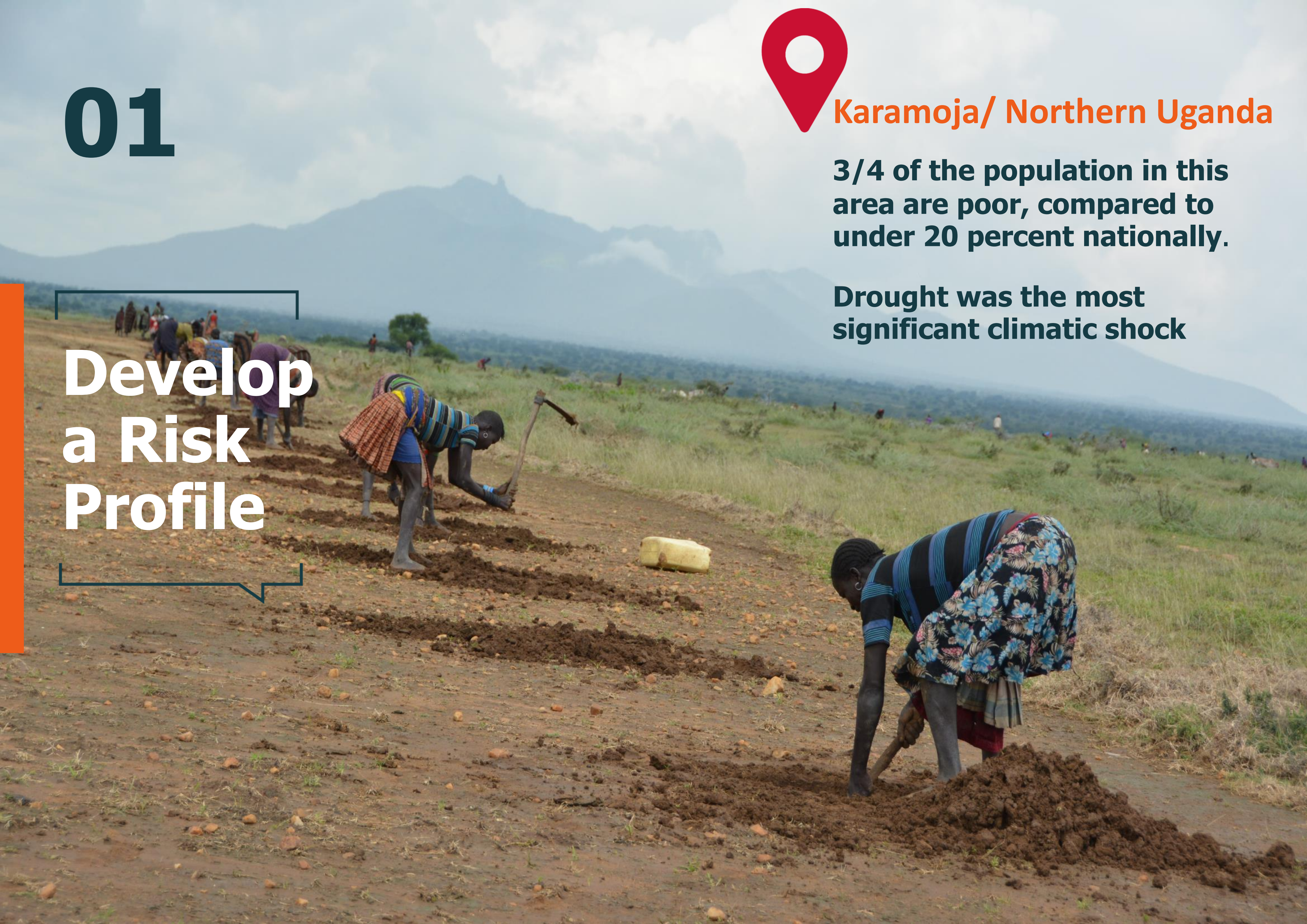
02
Decide on Policy Priorities

03
Design the Scalability Mechanism

04
Estimate Costs & allocate resources

05
Finalize Rules and devise strategy

06
Monitoring & Evaluation



01

Develop a Risk Profile

Karamoja/ Northern Uganda

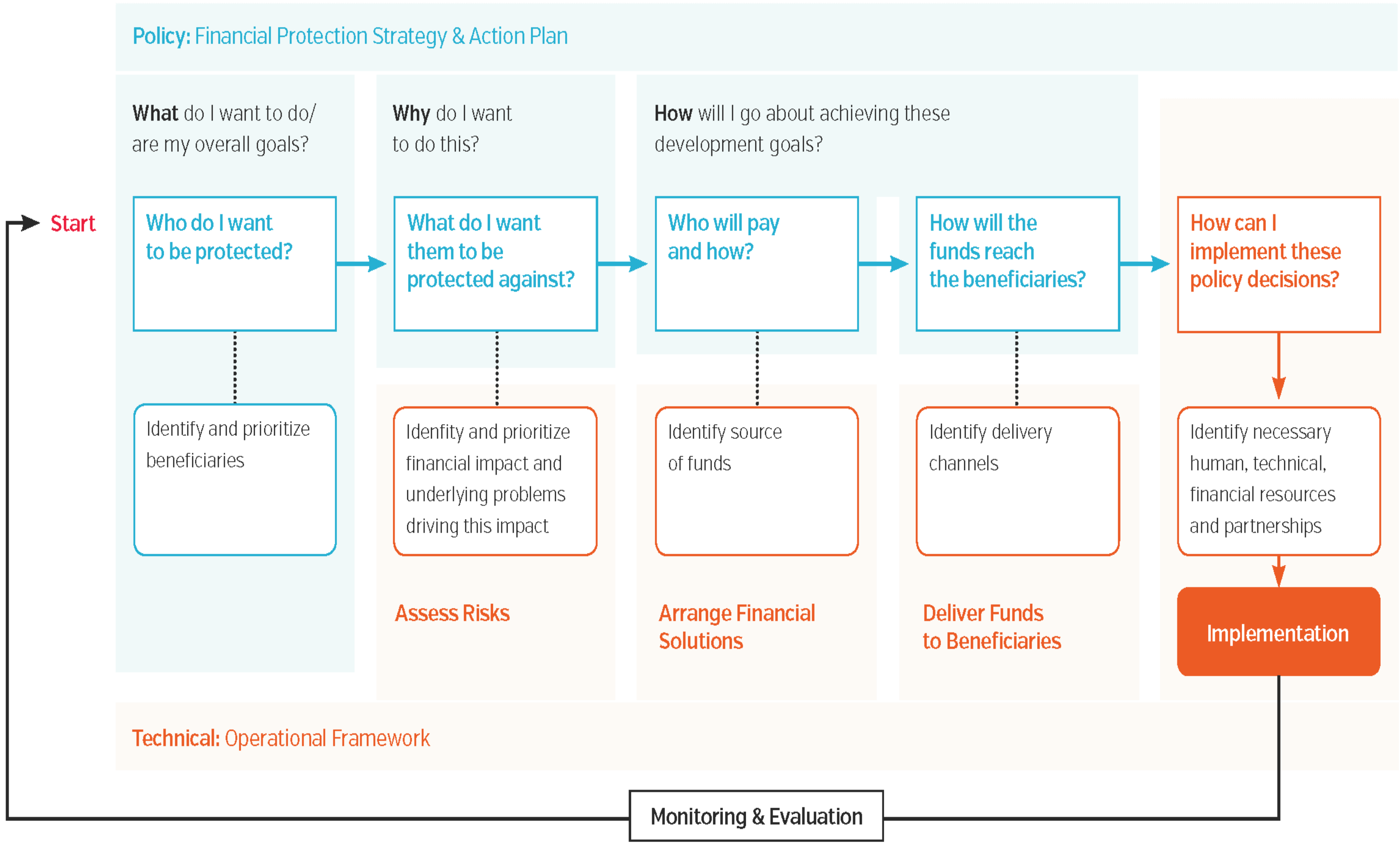
3/4 of the population in this area are poor, compared to under 20 percent nationally.

Drought was the most significant climatic shock

02

The **policy objective** was to prevent household consumption from dropping after climatic disasters and to protect livelihoods and assets, leading to a more rapid post-crisis recovery. The goal was to facilitate the shift away from food aid in Northern Uganda and toward public works programs and cash transfers

Decide On Policy Priorities


Policy: Financial Protection Strategy & Action Plan
What do I want to do/ are my overall goals?
Why do I want to do this?
How will I go about achieving these development goals?
Start
Who do I want to be protected?
What do I want them to be protected against?
Who will pay and how?
How will the funds reach the beneficiaries?
How can I implement these policy decisions?
Identify and prioritize beneficiaries
Idenfity and prioritize financial impact and underlying problems driving this impact
Identify source of funds
Identify delivery channels
Identify necessary human, technical, financial resources and partnerships
Assess Risks
Arrange Financial Solutions
Deliver Funds to Beneficiaries
Implementation
Technical: Operational Framework
Monitoring & Evaluation

03

Design the scalability mechanism

Type of data and threshold to use in devising the trigger for the DRF mechanism

How scale-up process will unfold once triggered.

Type of monitoring to conduct

Geographical area scale-up is intended to cover & through what administrative unit

Number of Beneficiaries

04

An excel-based financial model was developed to estimate multiyear costs of scaling up labor-intensive public works (LIPW) . Using historic normalized difference vegetation index data to calculate how often each Karamoja district reached the trigger threshold in the last 16 years (2001–2017), it was able to generate the costs of scaling up LIPW to the 15 percent of households proposed in the framework.

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.

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

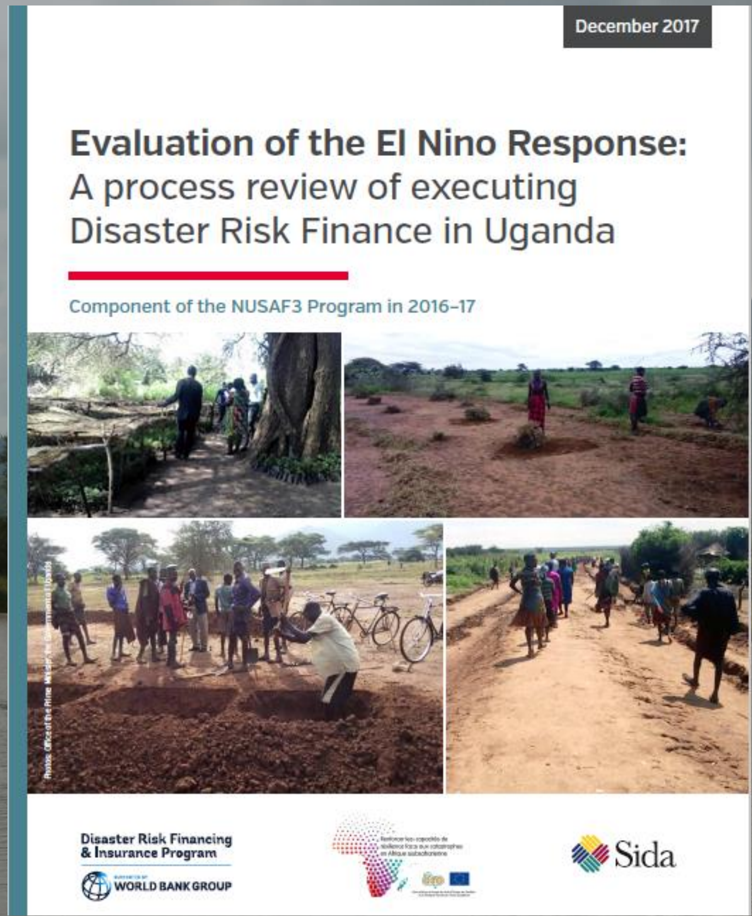
Estimate costs of the mechanism to determine resource allocation

05

If the scale-up mechanism is triggered annually in Karamoja,, there is enough funding through NUSAF III to cover average annual costs over the next five years (US$1.2 million * 5 = US$6 million).

Possible funding sources for the longer term include a disaster reserve fund or Humanitarian Support (but this is not rapid)

Finalize the mechanism rules and devise a DRF strategy



+

Scalability Mechanism

=

Financing Strategy

06

Conduct monitoring and evaluation to improve process

UNIVERSITY OF CAMBRIDGE
INSTITUTE FOR
SUSTAINABILITY LEADERSHIP

Disaster Risk Financing
& Insurance Program
SUPPORTED BY
WORLD BANK GROUP

CENTRE FOR
GLOBAL
DISASTER
PROTECTION

GFDRR
Global Facility for Disaster Reduction and Recovery

UKaid
from the British people