Vulnerable to Shocks: Uganda

HOW DROUGHT AND LOW PRICES COULD JEOPARDIZE UGANDA'S POVERTY REDUCTION

Poverty Reduction Trends

Large overall poverty reduction. The proportion of households living below US$1.90 per day in Uganda was nearly halved in one decade.

FROM 62.2% **IN 2003**

TO 34.6% **IN 2013**

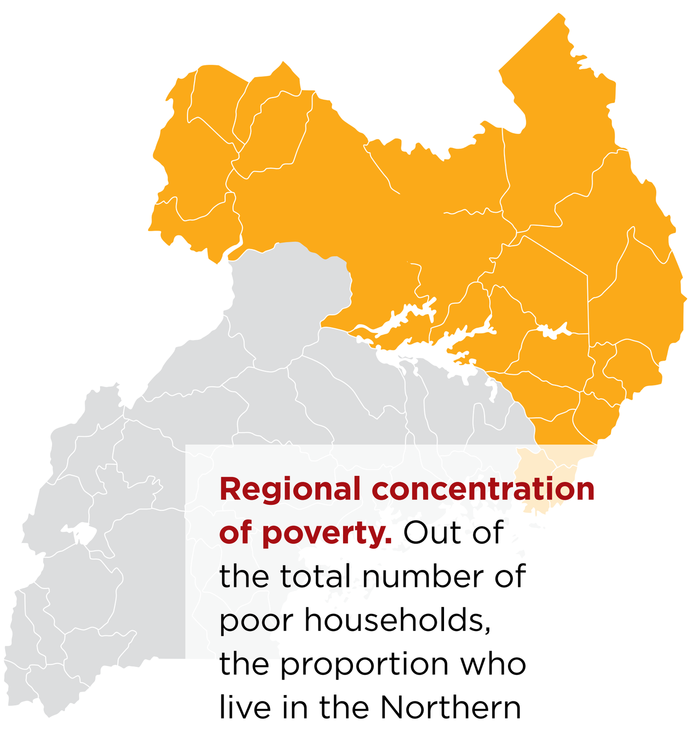
Vulnerabilities and Inequalities

Dependence on one sector: agriculture. 79% of poverty reduction from 2006 to 2013 occurred in households whose main income was agricultural.

Vulnerability to external shocks. Uganda's households are exceptionally vulnerable to rainfall and price shocks, particularly the poorest 40% of households.

Impact of a 10% reduction of rainfall for the poorest 40%		Impact of a 10% decrease in the price of beans for the poorest 40%	
CROP INCOME	CONSUMPTION	CROP INCOME	CONSUMPTION
-24.2%	-4.1%	-12.5%	-10.5%

Poverty reduction was built largely on abundant rainfall and higher prices for major agricultural goods — the kinds of external factors that can change unexpectedly.



Regional concentration of poverty. Out of the total number of poor households, the proportion who live in the Northern and Eastern regions increased. In 2006, 68% lived in these regions. In 2013, the proportion was 84%.

When Shocks Occur

1

Diversification and education help reduce impact. Diversifying household income can help mitigate impact by adding to agricultural income; and the higher the education level of a household, the better that household is able to mitigate shocks.

2

Households depend on savings and families, due to scarcity of government support. When shocks occurred between 2005-2011, only 5% of households received support from the government. Instead, 25% relied on family and 35% on savings.

5% 25% 35%

Recent Government Action

The Government of the Republic of Uganda has recognized the impacts of shocks on poor households and developed a US$130 million World Bank Group lending operation called the **Northern Uganda Social Action Fund Project III (NUSAF III)**. The fund will provide effective income support to, and build the resilience of, poor and vulnerable households in Northern Uganda. A Disaster Risk Financing component included in the lending operation:

- Allocates US$2 million for technical assistance and US$10 million for finance response.
- Develops a mechanism to quickly scale assistance to poor and vulnerable households following disasters.
- Will be implemented first in the Northern and Eastern regions, where there is a recognized need and poverty and risk are highest.

Recommendations to Policymakers

REFORM AGRICULTURAL PRODUCTION TO STABILIZE INCOME AND INCREASE PRODUCTIVITY

Increase the use of improved seeds, fertilizer, pesticides, irrigation, and technical assistance.

HELP HOUSEHOLDS DIVERSIFY INCOME

Encourage sectors that are less susceptible to shocks and more remunerative. Improve the quantity and quality of education.

TARGET REGIONALLY, WITH A FOCUS ON THE NORTH AND EAST

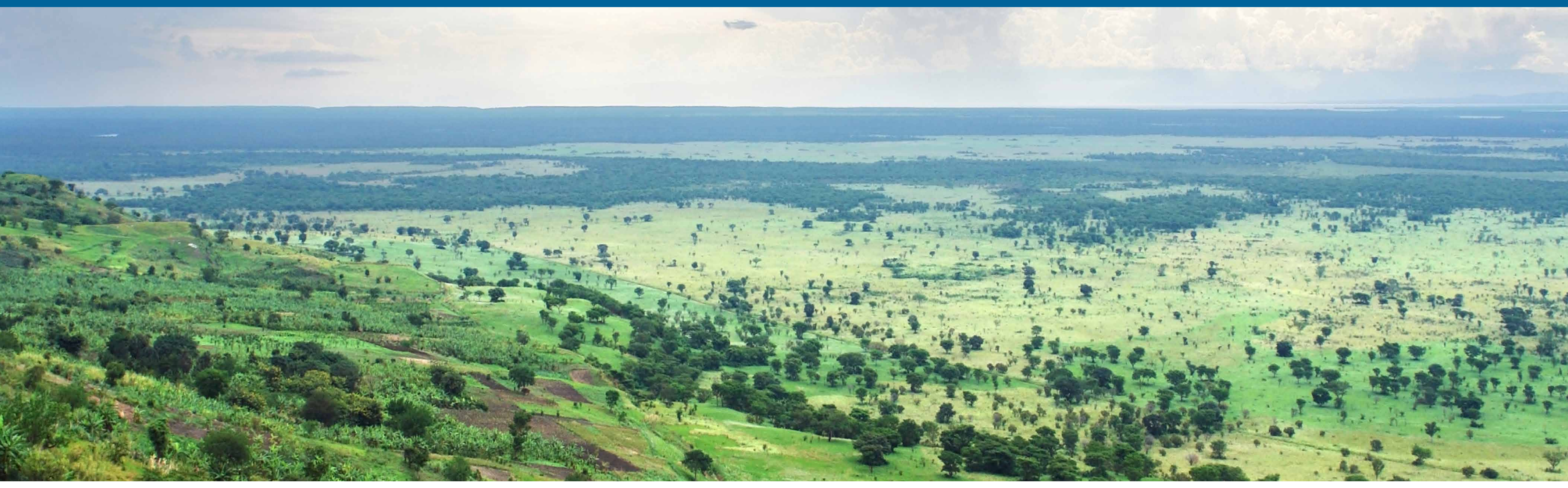
Implement targeted programs that help poor households and those living in the Northern and Eastern regions cope with shocks.

CONTINUE DEVELOPING SOCIAL SAFETY NETS

Consider further safety net mechanisms to the Disaster Risk Financing mechanism of the NUSAF III Safety Net.

INCREASE ACCESS TO FINANCIAL INSTRUMENTS

Help households access financial instruments, so that they can better cope with negative shocks and build resilience.



This infographic is adapted from the study *"Welfare, Income Growth and Shocks in Uganda: Understanding Poverty Trends From 2005/6 to 2011/12"*, by Ruth Hill, Senior Economist in the Africa Region of the Poverty Practice of the World Bank, and Carolina Mejía-Mantilla, Economist in the East Asia Pacific Region of the Poverty Practice of the World Bank. Poverty incidence estimates are based on the Uganda National Household Survey (UNHS), while the vulnerability and shocks analysis is based on the Uganda National Panel Survey (UNPS), taking advantage of its longitudinal nature. The infographic and the study are produced with financial support from the European Union (EU) in the framework of the ACP-EU Africa Disaster Risk Financing Initiative, managed by the Global Facility for Disaster Reduction and Recovery (GFDRR). The European Union is not responsible for any use that may be made of the information contained herein.

Building Disaster Resilience in Sub-Saharan Africa

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