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.

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

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.

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$30 million for finance responses.
• 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
1. Reform agricultural production to stabilize income and increase productivity.
   Increase the use of improved seeds, fertilizer, pesticides, irrigation, and technical assistance.

2. Help households diversify income.
   Encourage residents that are less susceptible to shocks and more remuneration. Improve the quantity and quality of education.

3. Target resolutely, 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.

4. Continue developing social safety nets.
   Consider further safety net mechanisms to the 3-sector risk financing mechanisms of the NUSAF III Safety Net.

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