"HUNGER SAFETY NET (HSNP): Risk financing for Disaster Response"

India: Knowledge Exchange on Adaptive Social Protection and Disaster Risk Resilience

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I. COUNTRY AND DISASTER CONTEXT

- Drought and floods are the main disaster risks, with drought being the most dominant:

  ✓ *High exposure:* >85% of Kenya's land mass is arid/semi-arid.

  ✓ *Growing frequency:* severe droughts in 1999-2001, 2005-06, 2009, 2011, 2016-17, 2019.

  ✓ *Large numbers affected:* up to 25% of those in drylands (8 million people) require assistance during a severe drought.

  ✓ *Significant economic impact:* total damages & losses of US$ 12.1 billion in 2008-11.

- Comparatively modest shocks have larger impacts because of high vulnerability and trends such as population growth & land pressure.

II. KENYA'S HUNGER SAFETY NET PROGRAMME (HSNP)

- An unconditional cash transfer programme to reduce extreme hunger and vulnerability in arid lands.

- Monthly transfers are made through the banking system to >100,000 households in four arid counties with highest levels of poverty and vulnerability to drought.

- Approximately 58% of beneficiaries are women.

- A shock-responsive mechanism has been operating since January 2015.

- Expansion beyond the four counties is planned during the period of 20/21-20/23.
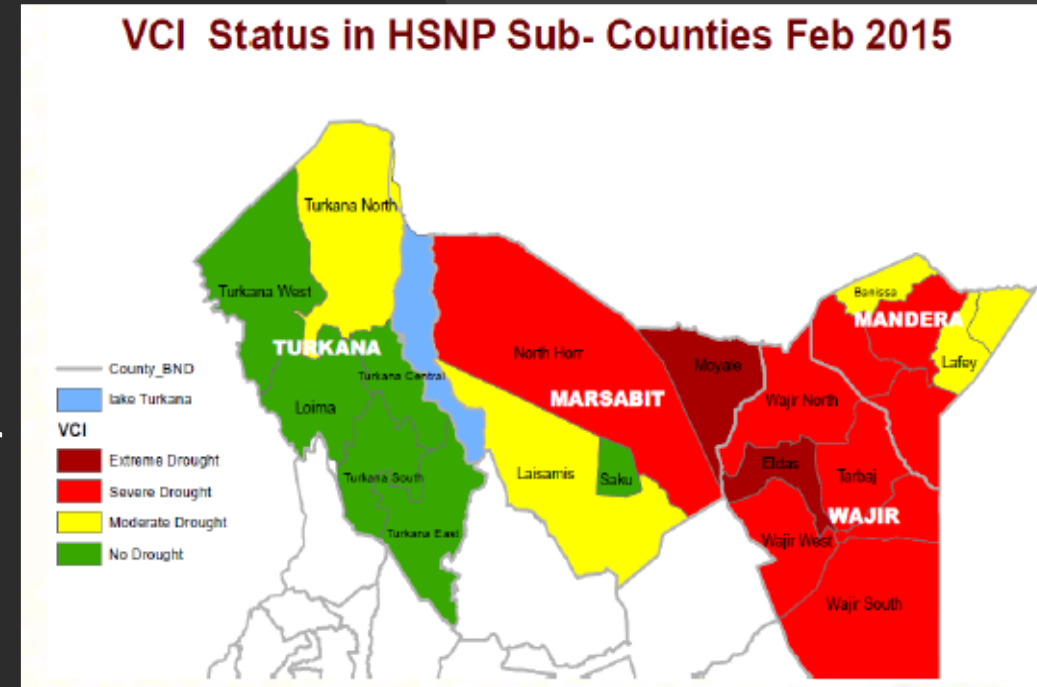

Figure 1: HSNP Counties in Kenya
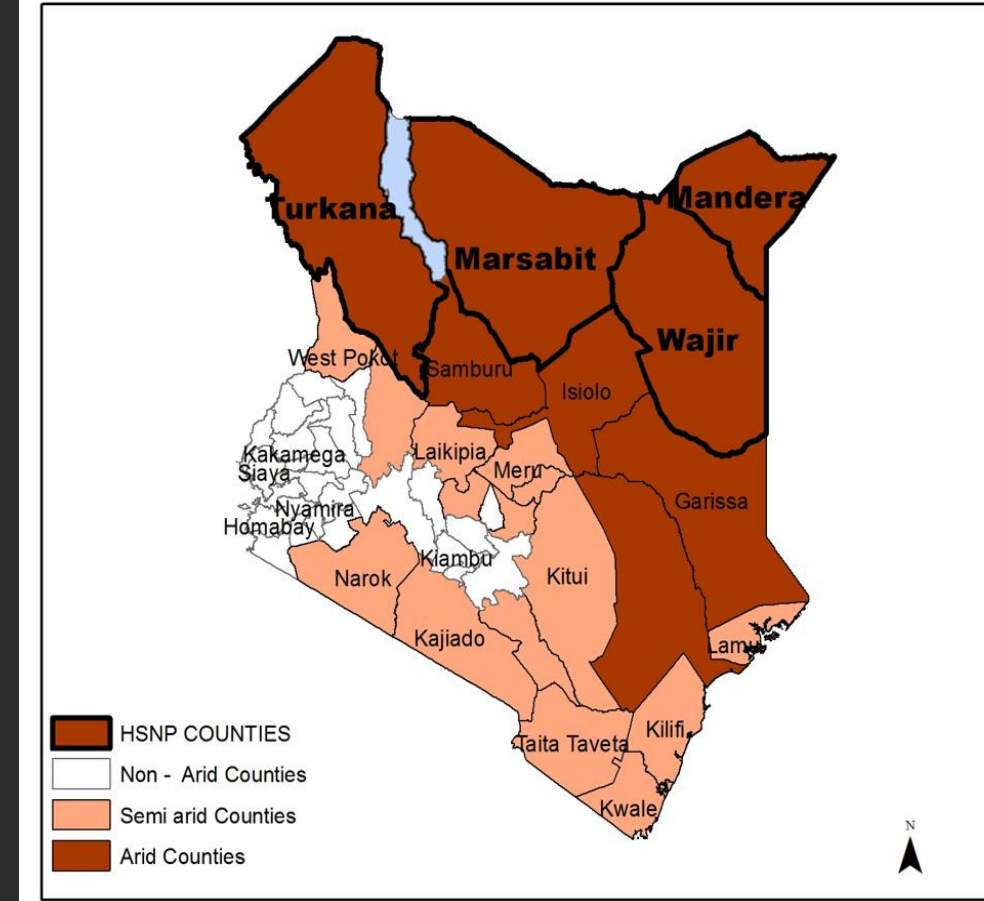
III. RISK FINANCING STRATEGY FOR DISASTER RESPONSE & DEVELOPMENT OF TRIGGERS & SCALABILITY

- How the scalability mechanism was designed:
  - ✓ Carried out comprehensive (voluntary) registration of all households in the four counties in 2013-14.
  - ✓ Opened bank accounts for all registered households – those eligible for routine transfers (Group 1) as well as those who may need emergency transfers (Group 2).
  - ✓ Developed a range of financing scenarios to test viability, with technical support from the World Bank's Disaster Risk Finance team.
  - ✓ Agreed on the criteria for the trigger (objective, quantitative, auditable) and selected the Vegetation Condition Index (VCI), which is monitored monthly by the drought early warning system.
  - ✓ Agreed on the value of the emergency transfer (same as routine transfer). 36 payment made since 2015 and total of Kshs 3,671,170,400 (USD 33,374,276)
  - ✓ Commissioned a learning exercise soon after the first transfers to adapt the system.

IV. RISK FINANCING STRATEGY FOR DISASTER RESPONSE & DEVELOPMENT OF TRIGGERS & SCALABILITY (CONT.)

- How the scalability mechanism works:

  - ✓ 'Severe' VCI triggers a budget allocation sufficient to bring the total beneficiaries in a sub-county to 50% of all households registered in the HSNP MIS.

  - ✓ 'Extreme' VCI triggers an allocation sufficient for 75% of all households registered in the HSNP MIS.

  - ✓ Group 1 households continue to receive their routine transfer and do not receive emergency transfer.

  - ✓ Beneficiaries accounts are deposited with the emergency transfers automatically.

VCI Status in HSNP Sub- Counties Feb 2015

County_BND
Lake Turkana
VCI
Extreme Drought
Severe Drought
Moderate Drought
No Drought

V. RESULTS TO DATE

- **Demonstrated that cash payments can be made on a large scale, in challenging environments, and within a few weeks of the trigger:**

  - ✓Emergency transfers have been triggered 36 times since February 2015

  - ✓Nearly Kshs. 3.6 billion (> US$ 33 million) has been paid to households who would previously have been primarily reliant on food aid.

- **Monitoring reports find that:**

  - ✓Households prefer cash over in-kind support during a crisis, when markets are functioning, and that the transfers help meet basic needs (food, health care)

  - ✓There is no obvious impact on market prices

- **The system is cost-efficient:**

  - ✓Initial costs were high (registration, account opening) but each subsequent transfer incurs minimal expense.

- **GoK is taking on more responsibility for financing: i**nitial transfers were funded by development partners.

VI. LESSONS LEARNED AND WAY FORWARD

Success factors:

- **Drought early warning system (EWS) is well established.** The EWS has been operating since the late 1980s. Reliable time-series data for the past 15 years helped guide design decisions. VCI data is quickly available.

- **Payments infrastructure and grievance procedures were already in place for the routine HSNP transfers.** Scalability mechanisms that 'piggy-back' on existing systems improve the timeliness of response.

- **Comprehensive registration in 2013-14 allowed bank** accounts to be opened and cards issued to households, in advance of payments being made ('no regrets' measure).

- **Kenya has effective banking and IT systems,** which enables HSNP to make use of technology.

- **NDMA manages both the HSNP and the drought EWS**, strengthening the link between information and action, which is often a weakness in disaster response.

- **Wider investment in social protection systems** (single registry, coordination, etc).

- **Risk Layering Strategy is used, in order to take care of basis risk:** scalability can be funded using budget provisions, National Drought Emergency Fund, Insurance (Africa Risk Capacity and others) and World Bank Loan Facility(CATT-DDO).

VII. LESSONS LEARNED AND WAY FORWARD

- Challenges:

  - ✓ **Building trust in the trigger mechanism:** VCI is technical.

  - ✓ **Communication with beneficiaries and other stakeholders:** targeting is not the same as in conventional participatory assessments.

  - ✓ **Cash is not always appropriate, and rarely sufficient:** need for complementary action (e.g. in basic services) and a mechanism to revisit periodically the transfer amount.

- Priorities to address:

  - ✓ **Improving the predictability of finance:** range of possible mechanisms, including a new contingency fund.

  - ✓ **Expanding the scalability mechanism:** both geographically, and to cover other disaster risks.

END OF PRESENTATION
THANKS FOR LISTENING