Drought Mitigation & Preparedness:
Benefits of Action & Costs of Inaction

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WB experiences building drought resilience: lessons from Southern Africa

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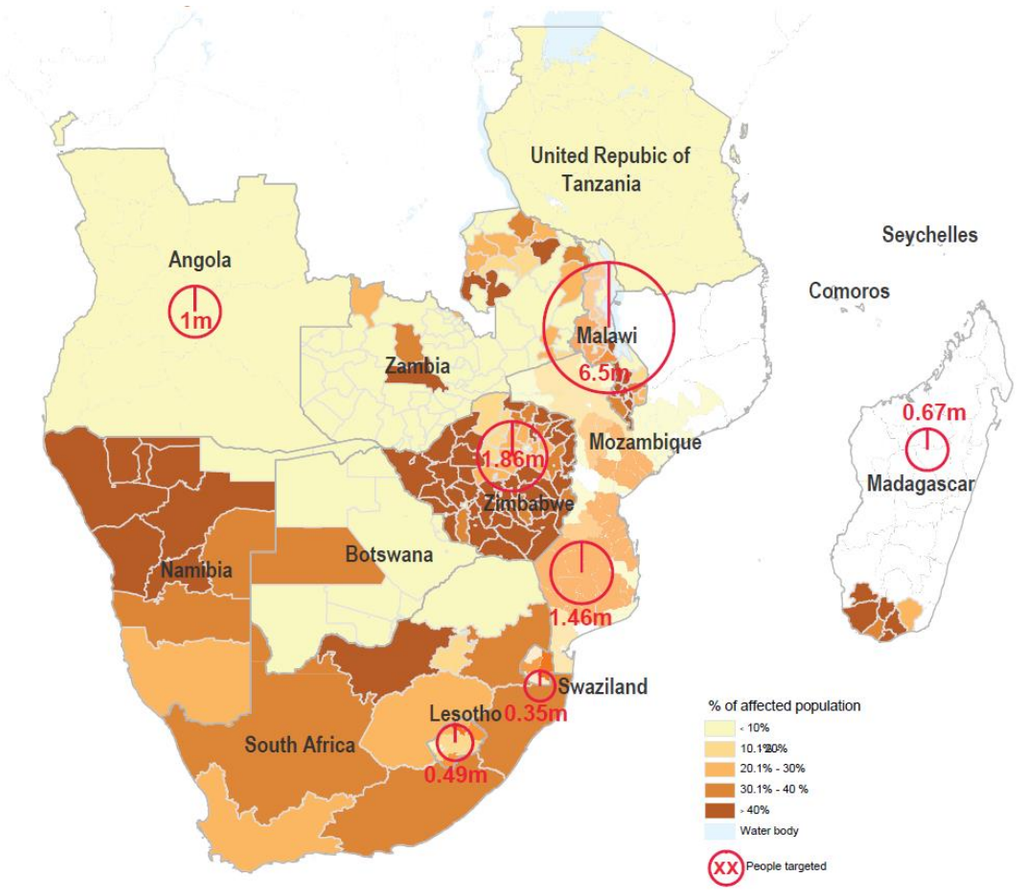
Drought impacts

Regional Context: 2015/16 El Niño Event

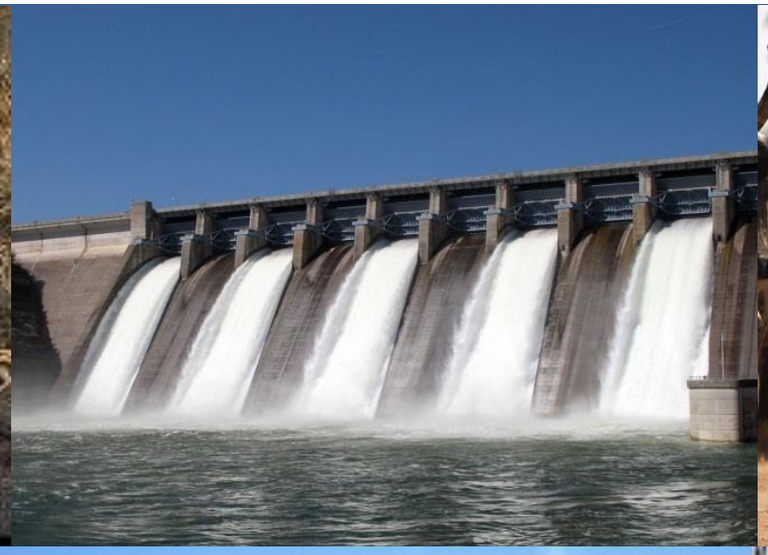
- Severe impacts of 2015/16 El Niño weather event in Southern Africa: **worst drought in 35 years.**
- **32.3 million people estimated to be food insecure** between June 2016 and March 2017**.**
- Increased levels of **malnutrition**, reduced **water access**, high **school drop-out** rates, increased incidence of **communicable diseases** and **rural-to-urban migration**.
- Regional cereal deficit puts upward **pressure on market prices**
- Countries with most severe humanitarian impacts: Angola, Lesotho, Madagascar, Malawi, Mozambique, Swaziland, and Zimbabwe.

2015/15 DROUGHT AND FOOD INSECURITY CRISIS



Economic impact is multifaceted

- Reduced bulk water supply and energy output (utility fiscal sustainability)
- Knock-on impacts on industrial output
- Reduced agricultural output and exports (crops and livestock)
- *Longer term effects*: reduced ag outputs and trade

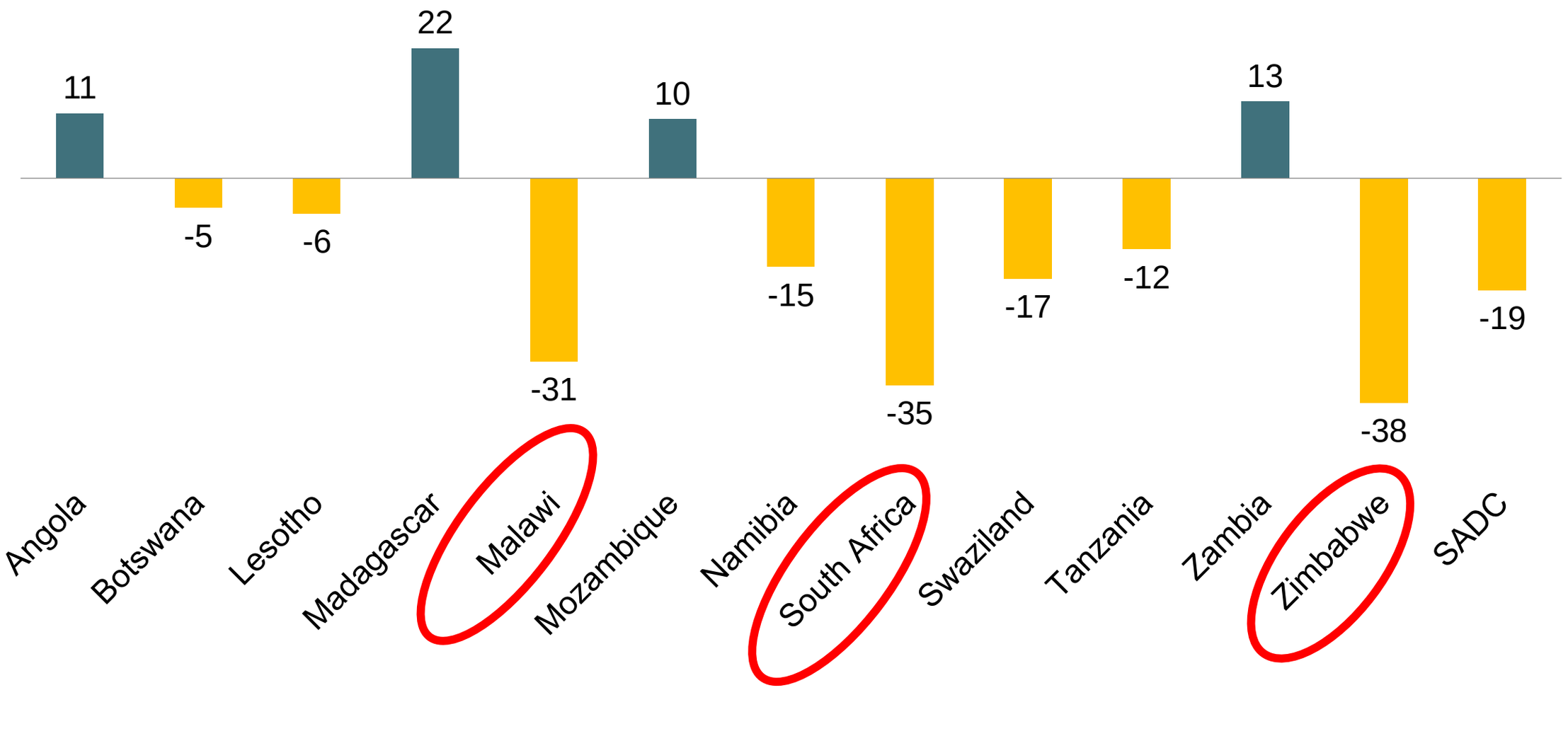





Quantifying impacts of reduced maize output

- World Bank LINKAGE CGE model
- Uses projected USDA maize production estimates for 2015/2016 *as of May, 2016*

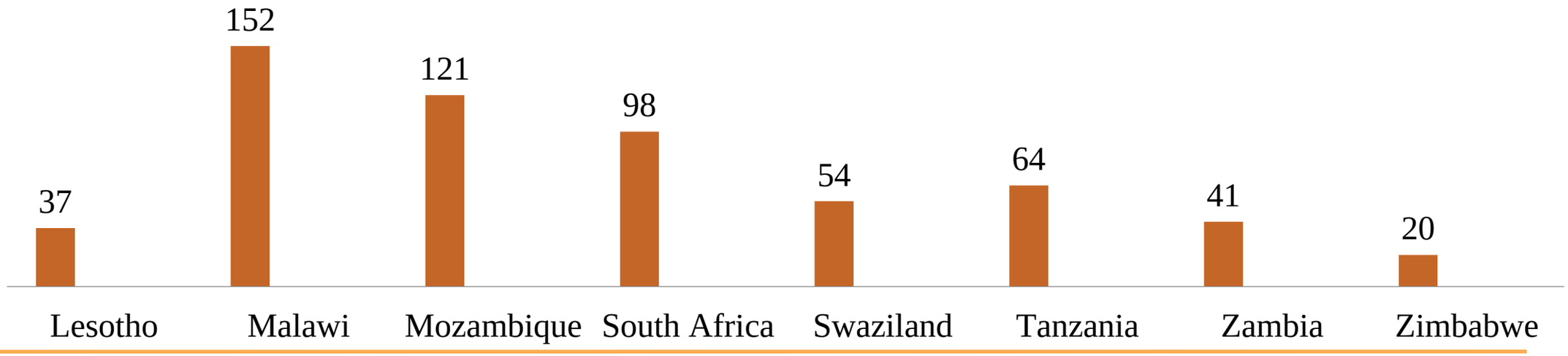
Maize production relative to consumption requirements 2015/16
(% surplus-deficit)



Maize Price Volatility

- Not just declining production – price matters too
- Botswana, Lesotho, Namibia import more than 50% (even in normal years)
- Swaziland and Zimbabwe projected to import more than 50% in 2015/16
- Non-food inflation / currency depreciation also plays a role
- Global supply of white maize has structural limits, even more so for non-GMO

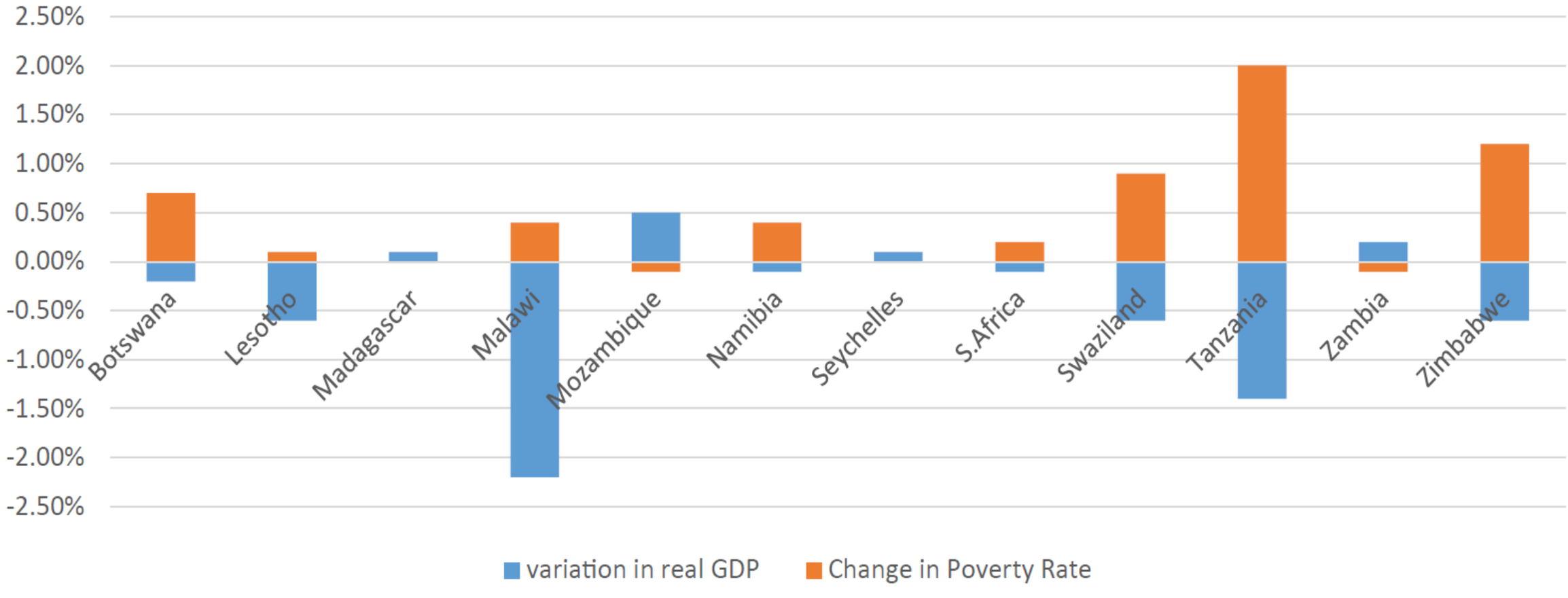
Year on year percentage white maize price increase (2015-2016)



Simulating macro-economic impact of reduced maize output

- Impact of El Nino – **0.1% of SADC GDP**
- Model predicts Malawi, Tanzania, Zimbabwe, Lesotho and Swaziland most affected
- **1.4 million people** could fall into **poverty**
- **Consumption** by bottom 40% **could contract by 1.7%**

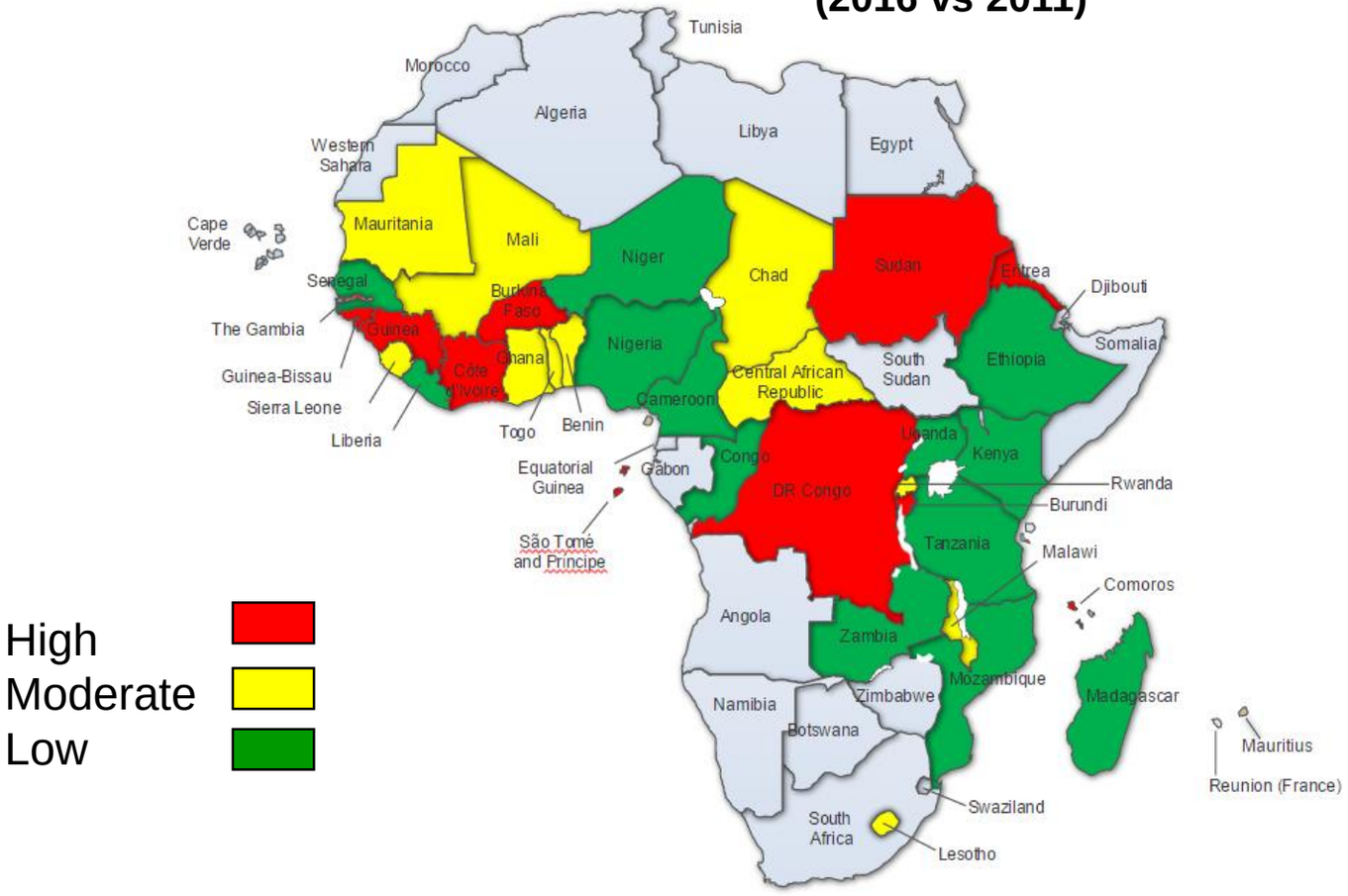
Model simulation: projected impact of reduced maize output on GDP/Poverty in SADC countries



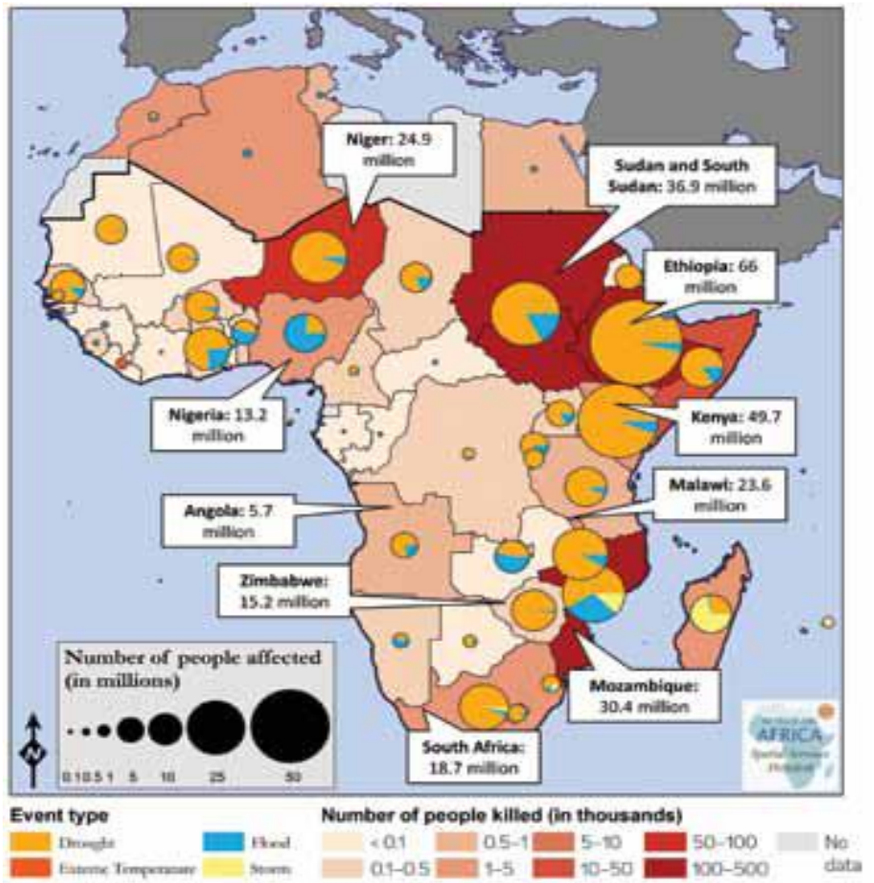
Policy choices continue to weaken capacity to manage shocks

- Lessons from previous shocks still challenging to implement
  - Lack of fiscal buffers
  - Maize mono-cropping makes Southern Africa uniquely exposed to drought
  - Lack of clear and consistent trade policies
- Some progress on government safety-nets
- Crisis presents window of opportunity to address these challenges and join efforts to make them a permanent part of public policy, budgetary decision-making, and public financial management

Risk of debt distress (2016 vs 2011)



Climate-Related disasters in SSA (1971-2012)



Risk management options: macro-meso-micro level

Fiscal buffers	▪ Counter-cyclical macro policies ▪ Contingency funds ▪ Sovereign Risk insurance ▪ Better buget execution and reallocation mechanisms
Resilient production systems and markets	▪ On-farm diversification & productivity (seeds, inputs, awareness) ▪ Phase out pro-maize policies (price controls, input subsidies) ▪ Modernize strategic grain storage ops and management ▪ Market based hedging (in lieu of trade restrictions) ▪ Micro-level PPP insurance
Social protection	▪ Integrate humanitarian relief with national safety nets ▪ Integrated beneficiaries registry ▪ Provide food but also seeds/inputs for next season ▪ Cash transfer where possible ▪ Build shock responsive safety-nets ▪ PPP index based insurance

WBG response

WBG response operations

Southern Africa

Lesotho	$20 million
Madagascar	$20 million
Malawi	$190 million
Mozambique	$45 million

Total $275 million

Analysis, screening and no regrets → Selection and design of intervention → Financing

WBG response in Lesotho

Criteria:
- Fiscal liquidity
- Efficiency and selectivity
- Combine short-term support with long term resilience building

Two entry points: Social Assistance Project & Smallholder Ag Dev Project **but not** Water Lowlands

Fiscal liquidity	• Contingent Emergency Response Component to Social Assistance Project – budget liquidity • TA to mitigate risks/enhance effectiveness of food subsidy (**with FAO and WFP)**
Recovery and resilience investments (TA and financing)	• Agricultural seeds and emergency packs **(with IFAD and FAO)** • Rehabilitation of small water retention structures • Strengthening DRM capacity (on-going TA **with WFP**)
Government safety net programs (TA and financing)	• Cash transfers (SAP DLIs) • Single registry, getter administration • Developing scalability mechanisms to make safety nets crisis-responsive **Key partners: UNICEF, WFP, EU, USAID**

Lesotho: strategic, selective, but also slow

- **Dec 2015 : Declaration of Emergency**
- Feb 2016 – CMU identification of no regrets interventions / CERCs
- **May 2016 – CRW: official GoL request for WB support**
- June 2016 – WB Initial scoping mission (CERC, CRW, TA)
- Sept 2017 – WB CRW preparation mission
- Oct 2016 – CRW Sub-Regional Technical Board Briefing.
- **Dec 2016 – CRW: Board approval** ($20m AF for Social Assistance Project)

Lessons learned

Early warning – early action…

Three things needed to change the paradigm of disaster response:

1. Better use of **early warning**
2. Better planning of **early action**
   - Contingency planning based on analysis of when/how drought impacts crops, people and animals.
   - Some countries have made advances, but no global approach
   - Need to coordinate across sectors: national, local, humanitarian development and private sector

… early financing

3. Pre-arrange and pre-negotiate **early financing**

COORDINATED PLAN for post-disaster action agreed in advance

Fast, evidence-based DECISION-MAKING PROCESS

PRE-PLANNED FINANCING to ensure plan can be implemented

- Ensures funds are available quickly when—and only when—they are required
- Binds partners to pre-agreed objectives, decision processes, and implementation modalities
- Promotes greater discipline, transparency, and predictability in post-disaster spending
- Ensures rapid mobilization of funds, reducing humanitarian costs and potentially saving money

Joining efforts: humanitarian and development actors must work together

- **Development actors have a key role**
  - Need to shift away from focus on response
  - Crucial to address root causes of vulnerability
  - Leverage ability to package and mobilize financing with knowledge, investment, and convening services
- Need to move toward a **new business model**
  - Emphasizes preparedness based on national response systems
  - Builds on better data, more planning, and innovative financial and operational instruments
  - Focuses on collective, long-term outcomes–based on comparative advantages.

In the case of Southern Africa…

Joined up humanitarian-development action

- Sound **data for planning**
- Structure interventions based on **comparative advantages** and request funding from donors/partners jointly
- New business model must be based on **pre-arranged financing**, coordinated **contingency plans**, joint commitment to **build government capacity**

De-risking private sector

- **Traders and millers** in best position to import maize
- **Existing risks**: non-payment risks, uncertain import/export bans, GMO policies
- Promote use of **market-based supply/price risk management solutions,** particularly for imports through SA

Humanitarian grain imports: Need quick and clear signals

- **Pre-plan & pre-finance**
- Uncertainty about govt/donor/humanitarian interventions increases costs and supply chain risks
- **Importing maize perpetuates distortions**: need clear evidence of bottlenecks
- **Cash, vouchers** to be preferred where possible
- **Evaluate** what households are actually consuming during crisis

Toward harmonized shock responsive and financed safety-nets

- Collectively support governments build **single registry of beneficiaries**
- Use objective data to **pre-define triggers** for scaling up
- Ensure **sustainable financing** (regular budget combined with risk financing solutions)

Implications for CMUs – building more dynamically integrated portfolios