

Why Pairing a Graduation Program with Index Insurance Makes Sense

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Altering Poverty Dynamics: From Evidence to Innovation to Action

- Earlier today, Robert Osei & Vilas Gobin shared with us exciting evidence that graduation programs that combine asset transfers & boost human capabilities can promote ascent from poverty
- Andrew Mude just shared evidence that index insurance evidence that insurance delivers two-pronged benefits:
 - Protects productive assets (physical and human) in the face of drought
 - Incentivizes investment in risky but profitable activities

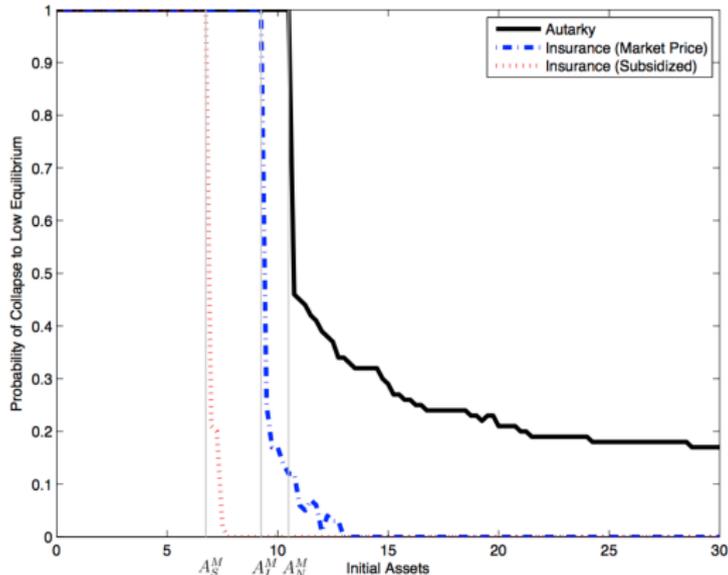
Altering Poverty Dynamics: From Evidence to Innovation to Action

- In risk-prone regions like the Arid & Semi-arid Lands (ASAL) of Kenya, graduation programs & insurance would seem to be natural allies that would work together to fundamentally alter poverty dynamics:
 - Protecting the newly acquired assets of 'graduates,' securing their ascent from poverty
 - Protecting the vulnerable, non-poor from descending into poverty
 - Incentivizing the accumulation & upward mobility of all groups
- Let's further explore these hypotheses

Poverty Dynamics in the ASAL

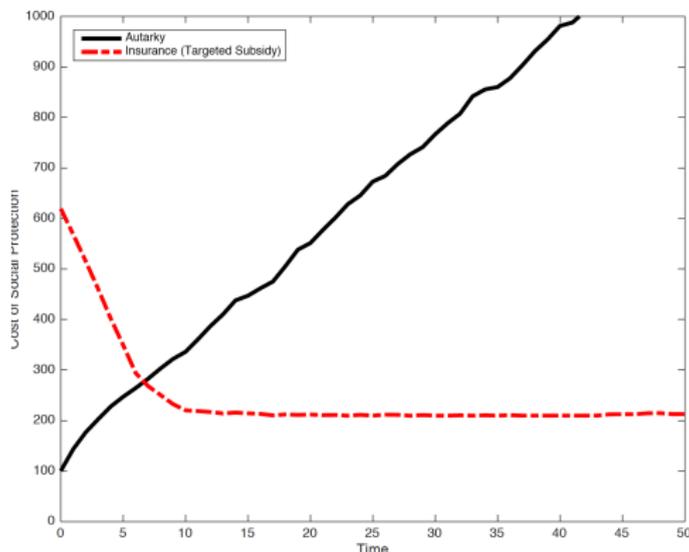
- An economic model allows to capture poverty dynamics in the ASAL and explore how different interventions might work and complement each other
- Model captures key features of the ASAL environment (risk, technology, etc.) and assumes that families are forward-looking and make consumption and investment decisions in order to optimize family economic well-being over time
- In the model, families either:
 - Escape from poverty and move toward a stable, non-poor standard of living; or,
 - Become mired in a poverty trap

Poverty Dynamics in the ASAL



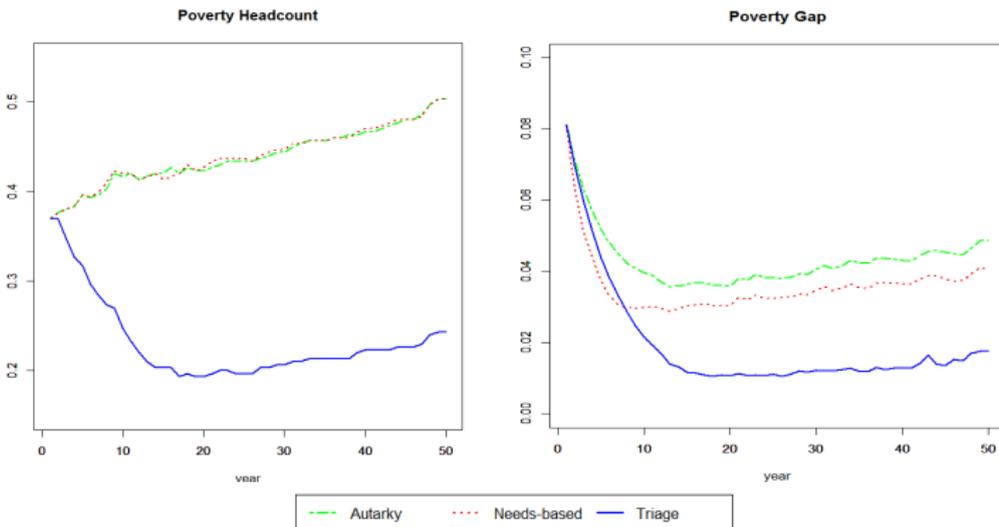
- Using this model, can see for individual with average capabilities
 - Role of risk; Role of asset levels; and, First level impact of insurance

The “Bandaid Trap” of Conventional Cash Transfers



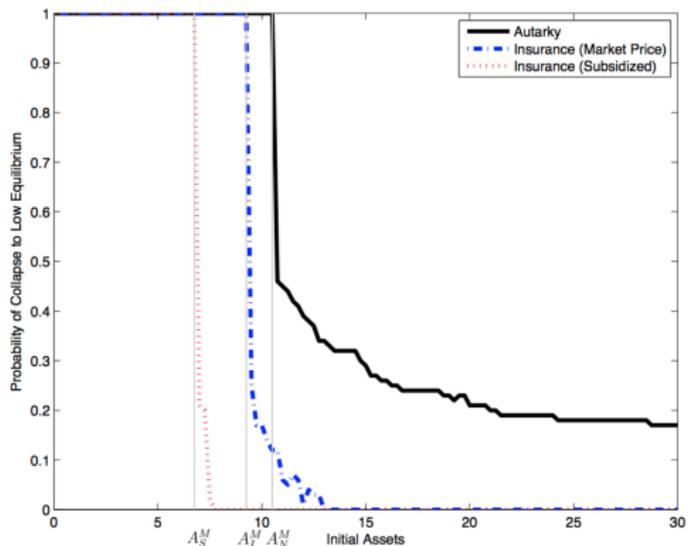
- Consistent with impact study of initial HSNP program
 - Beneficiaries hold position (“tread water”)
 - But no change in dynamics of ascent and descent

Silent Tradeoff between Well-being of Poor Today & Tomorrow



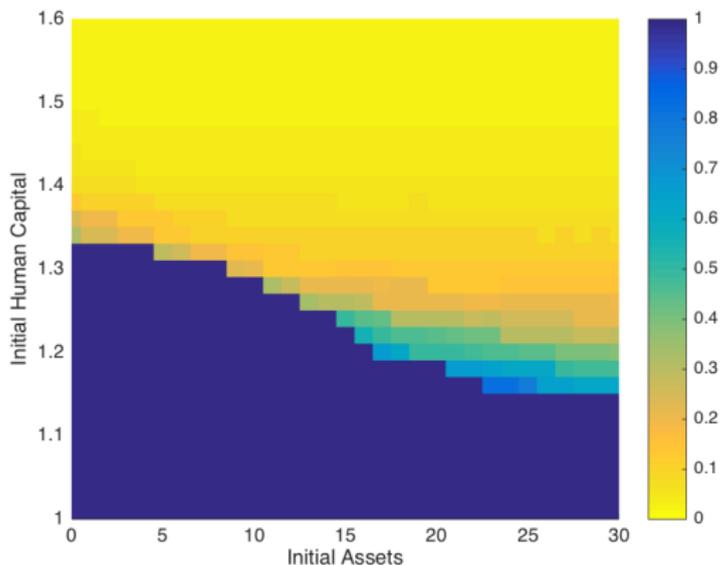
- Consider a fixed social protection budget and contrast
 - Conventional cash transfer
 - Alternative 'triage' policy that prioritizes insurance & asset building, & only then transfers

Why Does Integrated Social Protection Work?



- Lifts families over threshold
- Lessens vulnerability
- Incentives for accumulation

Why Does Integrated Social Protection Work?



- Graduation programs build capabilities, not just tangible assets
- Building both can speed upward mobility

From Theory to Practice

- In principal:
 - Asset transfers and insurance exhibit strong complementarities when it comes to altering poverty dynamics: together do more than the sum of their individual impacts
 - Insurance impacts are not just passive protection, but also active reaction. Implies that insured must know that insured.
- But in practice:
 - Do these complementarities exist?
 - Are they worth the money?
 - Can costs be reduced by exploiting spillovers from one family to another, especially in the psychological/human capabilities realm?
- After Helen tells us more on current REAP program, come back to describe on-going resilient poverty graduation pilot and study

Women & Livestock Insurance

- Vilas told us about asset transfers and business development for women, many of whom developed non-livestock businesses
- Yet, Andrew told us about *livestock* insurance—how do the two connect?
- Familiar story that when social structure favor them, men enjoy more of the benefits of household production
- Same logic applies to risk: the more powerful party can shift risk to the weaker (i.e., men can partially insure by passing risk to women)
- Women well understand that they bear the risk of fluctuations in the livestock economy, even if their direct business is not livestock
- Suggests that women have a larger stake in livestock insurance than men
- Now exploring the reframing of livestock insurance as 'Pastoralist Family Insurance' emphasizing women's stake in the IBLI forage index, especially given their interest in the child health and education
- Stay tuned!

Thank you!

