Scaling What Works

Tools for Resilient Drylands

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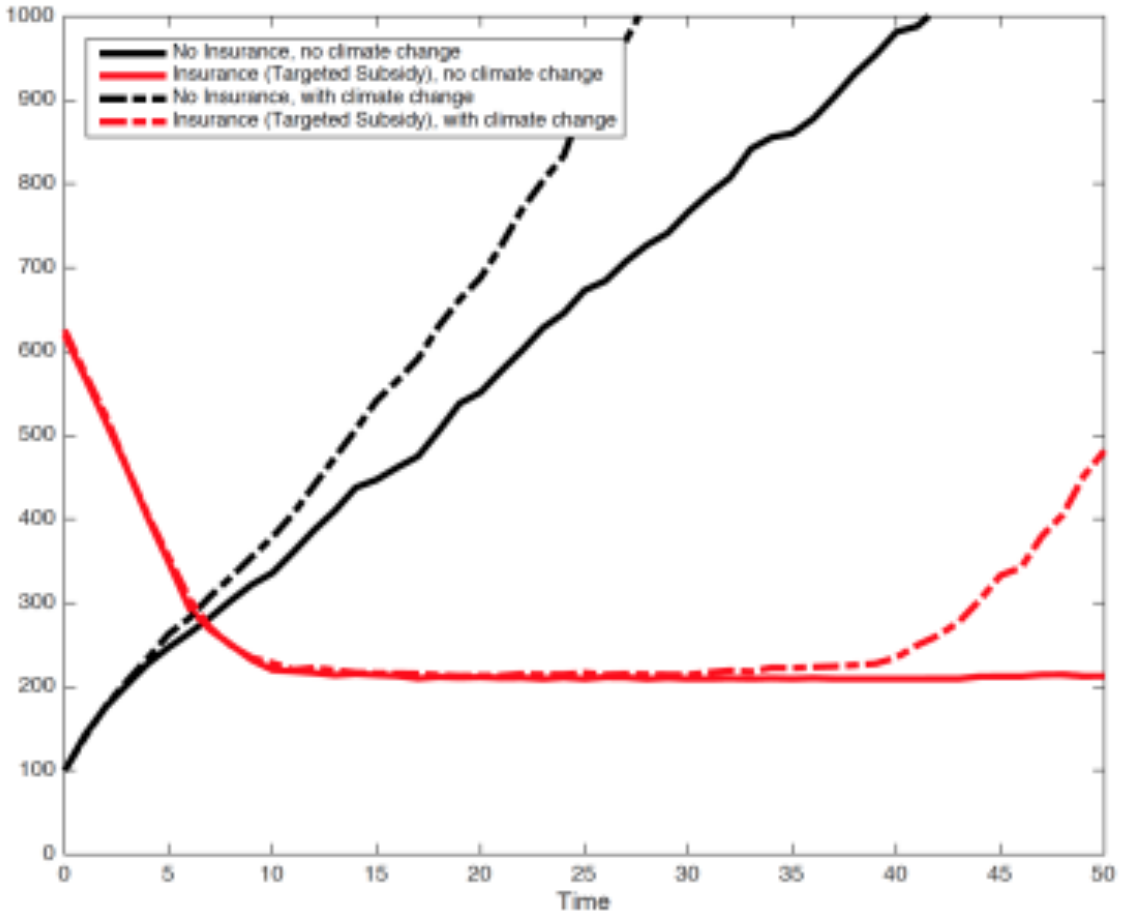
Risk & Resilience

- Ample evidence that risk
  - *Makes people poor* by reducing incomes & destroying assets, sometimes pushing households into a situation from which they cannot recover; and,
  - *Keeps people poor*, by discouraging investment & distorting patterns of asset accumulation
- Risk reduction through insurance could in theory be significant:
  - By protecting households against the worst consequences of adverse climatic shocks, index insurance should in principal allow households to prudentially invest more in risky, but high returning agricultural activities.
  - That is, if insurance has *ex post* protection effects, then it should also have *ex ante* investment effects

Resilience through Risk Reduction in the Face of Climate Change (Theory)

- Absent risk reduction tools, cost of social protection (closing the poverty gap) creeps upward over time



Resilience through Risk Reduction in the Face of Climate Change (Theory)

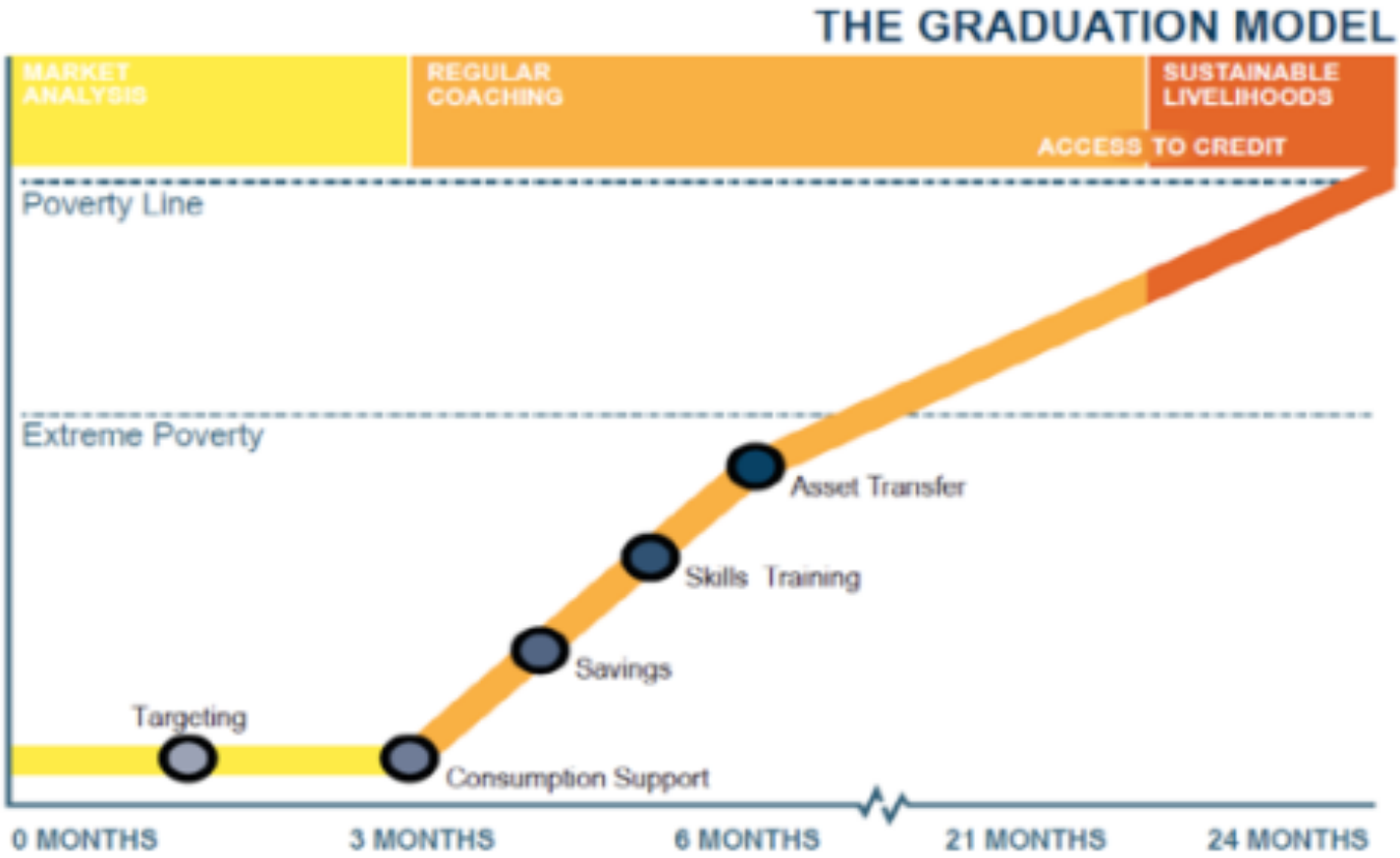
- Part of this upward creep is driven by intergenerational transmission of poverty as families struggle to maintain assets in the face of shocks, but in so doing draw down the potential ('human capital') of children
- Risk transfer through insurance can be cost-effective and offset climate change (up to a point)
- Theory is nice, but can these ideas work in practice?

Resilience through Risk Reduction (Practice)

- Andrew and others have already traced out the development of IBLI as a risk reduction tool
- IBLI was rolled out to allow reliable identification of its impacts
- After catastrophic 2011 drought, IBLI caused:
  - Less well-off households to cut in half their reliance on costly meal-reduction strategies as a way to cope with the drought; and,
  - Better-off households to sharply reduce their reliance on livestock sales as a coping strategy, preserving their future viability & reducing the downward pressure on local livestock prices
- But is this enough?
- What about those who have already collapsed and are unlikely to find risk reduction sufficient to move up and out of poverty?

Complementing Risk Reduction with Asset Building

- The NGO BRAC pioneered the following "graduation model" intended to provide a pathway of upward mobility for those stuck at the bottom



Complementing Risk Reduction with Asset Building

- Evidence to date on BRAC and BRAC-ish programs has been impressive
- Apparent "rates of return" on modest asset transfer suggest that a combination of things are occuring:
  - The asset transfers lift individuals over a critical minimum threshold as in poverty trap theory
  - Transfers are embedded in a broader program of confidence and skill building that build hope, lift aspirations and establish the psychological bases from which to succeed
- In Northern Kenya, there has been experimentation with a similar program (BOMA) with similarly impressive results (in the short-term)
- But will these short-term results survive cycles of drought–*i.e.*, are they resilient?

Complementing Risk Reduction with Asset Building

- Here is where a new and exciting effort emerges from this evidence to build a new program that combines the lessons of IBLI with those of BOMA and other BRAC-like asset building venture
- The government of Kenya is now building on these lessons and scales them up in terms of new programs:
  - KLIP (Kenya Livestock Insurance Program), which builds on the lessons and models of IBLI
  - HSNP-2 program, which uses IBLI-like triggers to scale-up cash transfers, providing insurance like, contingent social protection
- These scaling efforts are not only valuable in their own right, but they open the door to taking a thorough look at the ability of risk reduction and asset building programs to create resilience and fundamentally alter poverty dynamics in dryland areas
- This can be the next research challenge for Team IBLI!