

Annual Work Plan Fiscal Year 2007-2008

I. Research Project Title: Understanding the impact of idiosyncratic shocks on farm productivity and household asset building and protection in Ghana, Ethiopia and Bangladesh

II. Collaborating Institutions and Researchers

Cornell University (Ithaca, NY): Dr. Chris Barrett (principal investigator), Mr. Felix Naschold, Mr. Thomas Walker

Addis Ababa University, Department of Economics (Addis Ababa, Ethiopia): Dr. Tassew Woldehanna

Data Analysis and Technical Assistance, Ltd. (Dhaka, Bangladesh): Mr. Zahidul Hassan
Institute of Statistical, Social and Economic Research, University of Ghana (Accra, Ghana): Dr. Ernest Aryeetey (co-principal investigator), Dr. Robert Osei, Dr. Jacqueline Vanderpuye-Orgle

International Food Policy Research Institute (Washington, DC): Dr Agnes Quisumbing (co-principal investigator), Dr. Akhter Ahmed, Dr. John Hoddinott

III. Dates covered by work plan

This work plan covers the period from October 1, 2007 to September 30, 2008.

IV. Support

Core AMA CRSP with matching funds from Cornell University (approximately \$50,000) and leveraged supplemental funding to IFPRI from the Chronic Poverty Research Centre (\$40,000) and CAPRI (\$62,500). In addition, funds covering training activities in Ethiopia will be provided by the World Bank; the exact amount to be determined by 31 December 2007.

V. Program Overview

Idiosyncratic risk appears to dominate covariate risk in rural incomes in Africa and Asia, indicating the potential contribution of improved local risk management of idiosyncratic risk to household asset accumulation, productivity growth and poverty reduction in developing countries. Understanding better how households differentially experience idiosyncratic risk and what mediating structures minimize the adverse dynamic effects of such risk is therefore of considerable importance for sustaining broad based economic growth and designing effective poverty reduction strategies, not just in the three project countries, but more broadly, throughout the developing world.

The project focuses on the impact of idiosyncratic risk on the dynamics of household well-being, asset accumulation and productivity. Ex ante, who trades off expected asset and productivity growth for reduced exposure to idiosyncratic risk? Ex post, what determines the impact of idiosyncratic shocks (e.g., due to illness, theft) on households? What formal and informal institutions mediate those experiences? The research aims to clarify what existing mechanisms help households through episodes of adverse idiosyncratic shocks, to what extent different mechanisms (self-insurance, social networks, formal programs through groups or contractual and quasi-contractual arrangements), individually and cumulatively, are able to insure households against risk,

what gaps in coverage exist, and how different interventions affect insurance against idiosyncratic risk and its dynamic effects on rural households' asset holdings, productivity and well-being.

In contrast to most existing empirical work, this holistic approach to studying household insurance mechanisms can provide information to policymakers about gaps in insurance coverage, about who is truly vulnerable, and what factors help mend the holes in the social safety net. We aim to establish whether some households are systematically better insured by some mechanisms than are other households, and whether asset stocks and insurance coverage co-evolve over time, reinforcing each other?

These are especially topical issues in the three project countries. In Bangladesh, long-term poverty is often caused by idiosyncratic shocks in the form of illness and injury. In Ethiopia, illness ranks as the greatest risk to long-term household welfare. Serious undernutrition of adults may trap a household in poverty as low nutritional status is highly correlated with subsequent low growth in consumption. In Ghana, idiosyncratic risk associated with illness, injury, theft and farm shocks are widespread and key determinants of current incomes. Preliminary findings suggest that socially excluded groups, such as new migrants and young farmers who don't belong to major clans, are least able to cope with such risks because they have minimal social networks to manage idiosyncratic risk through interhousehold transfers. Shocks appear to have persistent effects on their asset dynamics but not on those of better-connected and better-off neighbors. In each country there are different primary mechanisms which can help households recover from individual shocks: loans from NGOs in Bangladesh, burial societies in Ethiopia, and funeral societies and farming and church-related organizations in Ghana. We aim to enrich understanding of the role such institutions play and the dynamic gains from these idiosyncratic risk management mechanisms.

The project directly addresses AMA CRSP research priorities 1 ("managing risk and vulnerability to enhance asset protection and accumulation") and 3 ("asset building for growth and poverty reduction") given our project's emphasis on how risk mediates asset accumulation. It will also contribute directly to knowledge supporting USAID's strategic objectives in each project country, in particular those related to expanded economic opportunities created through equitable economic growth, and a healthier and more productive population. We also anticipate significant degree and non-degree training of research professionals and practitioner partners over the life of the project.

VI. Annual Work Plan

A. Integration of Activities with Long-Term Project Plan

The 2007-8 work plan revolves around four types of activities - data collection, data analysis, stakeholder consultation and training – that are each instrumental to the longer term objectives of the project. The first year emphasizes parallel research with local partners in each of the three project countries, playing to the strengths of specific data sets and research demands of stakeholders in each country. The four activity types are summarized by fiscal quarter in the table below.

B. Specific Activities

2007-8 Project Work Plan by Fiscal Quarter

	First Quarter (Oct 1 – Dec 31, 2007)	Second Quarter (Jan 1 – March 31, 2008)	Third Quarter (April 1 – June 30, 2008)	Fourth Quarter (July 1 – September 30, 2008)
Data Collection	Bangladesh: qualitative work focusing on collective action, social networks, and vulnerability (funded by CAPRI/CPRC)	Bangladesh: interviews of program officials/households for NGO/ institutional study (funded by CAPRI) Ghana: preparations for data collection	Ghana: preparations for data collection	Ghana: preparations for data collection
Data Analysis	Bangladesh: analysis of quantitative household survey data and qualitative life history data analysis with focus on role of NGOs in coping with risk Ghana: econometric analysis of risk, social visibility and asset dynamics , and of social networks and risk management	Econometric work on impact of and coping with idiosyncratic shocks, and the role of NGOs and other social networks (Bangladesh); descriptive work on poverty, asset dynamics and poor health (Ethiopia), and on asset targeting (Ethiopia); and on risk, social visibility and asset dynamics (Ghana).	Econometric work on impact of and coping with idiosyncratic shocks, and the role of NGOs and other social networks (Bangladesh); descriptive work on poverty, asset dynamics and poor health (Ethiopia), and on asset targeting (Ethiopia); and on risk, social visibility and asset dynamics (Ghana).	Econometric work on impact of and coping with idiosyncratic shocks, and the role of NGOs and other social networks (Bangladesh); descriptive work on poverty, asset dynamics and poor health (Ethiopia), and on asset targeting (Ethiopia); and on risk, social visibility and asset dynamics (Ghana).
Outreach	Develop project web site Release first two project policy briefs	Ghana: national level and community level stakeholders consultations		Bangladesh: Dissemination of initial findings from longitudinal study (funded by CPRC) in Dhaka
Training	Cornell: Ph.D. – (Hoffmann, Walker) Post-Doctoral (Naschold)	Cornell : Ph.D. – (Hoffmann, Walker) Post-Doctoral (Naschold) Ghana: Economy of Ghana Network workshop for young economics researchers on frontier topics and methods in empirical development economics	Cornell: Ph.D. – (Hoffmann, Walker) Post-Doctoral (Naschold) Graduate Student TBD	Cornell: Ph.D. – (Walker) Post-Doctoral (Naschold) Graduate Student TBD Data release workshops for Bangladeshi researchers (including students and faculty)—funded by CPRC

Data collection:

Bangladesh: The quantitative phase of data collection was completed in March 2007. The team was able to interview 1787 core households of former respondents (out of an approximate 1800 potential households to be interviewed) and 365 new households. In the coming year, two phases of qualitative and institutional data collection will be completed in Bangladesh, funded by CAPRI (Systemwide Initiative on Collective Action and Property Rights). The qualitative data collection will build on completed life histories and will examine the role of collective action (both formal NGOs and social networks) in helping households cope with shocks. The institutional data collection phase, to begin in January 2008, will examine institutional mechanisms and modalities of NGOs (and other relevant institutions) that enable households to cope with idiosyncratic risk.

Ghana: Data collection will commence in January 2009, focusing on generating the fourth round of a panel data set initiated by Christopher Udry and Markus Goldstein (rounds 1 and 2) and Jacqueline Vanderpuye-Orgle (round 3). Preparations for the new round of data collection will begin in January 2008, when some of the Ithaca-based team will visit Ghana to work with the ISSER team and hold national and community level stakeholders consultations. Actual data enumeration will commence in the next fiscal year.

Data analysis:

Over the next year we will begin the empirical analysis of quantitative and qualitative data already available. First outputs will include descriptive analysis in the form of poverty transition matrices, descriptive statistics of all variables and plots of income, consumption and asset dynamics and their relation to idiosyncratic shocks and to targeting (see anticipated outputs listing below). We expect to produce draft papers on poverty and asset dynamics in Bangladesh, Ethiopia, and Ghana during the year.

Outreach:

We will use our existing, extensive contacts with communities, different levels of government, and donors to stimulate discussion and bring attention to the goals of and possible range of policy lessons to be learned from this research project. With assistance from the ME, we will release the first project policy brief, describing the project, and disseminate it widely within USAID and to stakeholders within each of the three project countries.

Bangladesh: All dissemination activities in Bangladesh and travel to Bangladesh are being funded by the Chronic Poverty Research Centre and CAPRI. In July-August 2008, IFPRI, DATA, and CPRC will be holding a high-visibility national conference to present the results of the poverty transitions analysis to various stakeholders in Bangladesh. We will be holding community-level stakeholder meetings during that period as well. By the end of 2007, a project website will also be set up where data descriptions, questionnaires, and working papers will be made available.

Ethiopia: In November 2008, we will hold a national level workshop to present the results of our descriptive work as well as the papers completed as part of the training and capacity building work described below.

Ghana: We will hold national and community-level stakeholder meetings in January 2008 to present preliminary results based on the existing three waves of the panel survey. We will hold another round of stakeholder meetings in December 2008, immediately prior to the resurvey.

Training:

Degree training at Cornell will involve Ph.D. students Vivian Hoffmann and Thomas Walker during academic year 2007-8 (neither funded by AMA CRSP during that period) working with the project in data analysis (Hoffmann) and preparation for stakeholder workshops and data collection in Ghana (Walker). Another graduate student will be recruited to work in summer 2008 on data analysis. Walker will depart for Ghana in late 2008 and begin financial support under the project as he participates in the field data collection there throughout calendar year 2009. Felix Naschold will start as a post-doctoral researcher at Cornell in November 2007. His initial focus will be on developing and improving quantitative methods to model the interaction between idiosyncratic shocks and household welfare dynamics, as well as helping coordinate efforts between all involved research teams. All Cornell students and the post-doctoral researcher will work under the supervision of Chris Barrett.

Bangladesh: With CPRC funding, we will be holding two data dissemination workshops in Dhaka, to introduce potential users of the data (researchers, graduate students) to the longitudinal data set. The data sets and documentation will be distributed on CDs.

Ethiopia: We (IFPRI and Addis Ababa University) will participate in a capacity-building consortium led by the Ethiopian Development Research Institute (EDRI). We have now received confirmation that the World Bank has approved a \$350,000 grant to fund five training activities over the next 18 months. These will include:

- Initiation workshop bringing together researchers, policymakers and stakeholders to identify the areas and topics of interest for further detailed study;
- The training of Ethiopian researchers in the application of “best practice” research techniques to the analysis of poverty.
- Active mentoring by international experts of Ethiopians engaged in follow up empirical research in a learning by doing mode;
- In depth collaborative work between Ethiopian researchers and international experts.
- Workshops that disseminate and discuss the work emanating from this project.

Ghana: In cooperation with the Economy of Ghana Network and the USAID SAGA Cooperative Agreement, in January 2008 we will co-organize a workshop for young Ghanaian economists (graduate students, post-doctoral researchers and faculty) on frontier topics and methods in empirical development economics research.

C. Links to existing projects

This project builds on the recently completed USAID BASIS CRSP project on “Conceptual and Statistical Foundations for the Estimation of Poverty Traps,” which funded work developing concepts and methods being employed in this new effort.

In Bangladesh, the project builds on an ongoing longitudinal study funded by the Chronic Poverty Research Centre, HarvestPlus, the University of Waikato, and the Systemwide Initiative on Collective Action and Property Rights (CAPRI) of the CGIAR.

In Ethiopia, this project will link to the recently funded World Bank capacity building project, “Pathways from poverty in Ethiopia: Strengthening Ethiopia’s PRSP through the analysis of longitudinal household data.”

In Ghana the project builds on the USAID SAGA cooperative agreement, which funded closely related policy research and outreach in Ghana and helped ISSER found the highly successful Economy of Ghana Network (<http://www.egnghana.org/>).

D. Relation of research to key findings and indicators used

Key indicators of impact in this project include:

- (1) host country personnel trained, both through degree, post-degree and non-degree programs,
- (2) research publications and associated citations,
- (3) policy briefs written and distributed, for which we can also document numbers and sources of requests for copies,
- (4) documented contact with policymakers, donors, and communities in outreach workshops, and coverage by local media,
- (5) attestation by such stakeholders as to the value of the empirical analysis and capacity building activities undertaken by the project.

We plan to document and report these impact indicators as the project progresses, on an annual basis starting with this first year.

E. Anticipated outputs

In this first full project year, we anticipate several outputs, including:

- a) Initial project policy brief and a second policy brief reviewing the literature on community-based risk management and social funds
- b) Working papers on (i) social networks and risk management in Ghana, (ii) asset dynamics and risk in Ghana, (iii) a descriptive paper on poverty and asset dynamics in Ethiopia; (iv) poverty dynamics and the role of idiosyncratic shocks in Bangladesh; and (v) asset dynamics and poverty traps in Bangladesh; (vi) a descriptive paper on membership in formal and informal groups, networks, and other forms of collective action in Bangladesh.
- c) Trip reports from international travelers under the project
- d) Informal team memos on findings and methodologies

We expect greater written outputs in subsequent years, in particular more academic research papers, more policy briefs and, hopefully, popular media coverage of outreach events and research findings.

In the first quarter of the year, we will develop a project web site and post all materials on it and track downloads.

F. Problems and Issues

Resistance from USAID/Dhaka has required some reallocation of tasks across different streams of funding – eliminating all Bangladesh-based work undertaken with AMA CRSP funds, which have been redirected toward data analysis – and has consumed significant time for the Bangladesh sub-team. Nonetheless, this unexpected development does not impact the overall research design or timeline. We have also had to shift co-PIs with ISSER (Ghana) as Dr. Vanderpuye-Orgle, the originally proposed co-PI, has taken a temporary full-time position in the United States, although she will remain affiliated with ISSER and involved in the project. Prof. Ernest Aryeetey will now play the role of co-PI, with Dr. Robert Osei assisting him.

VII. Budget

No change from original proposed budget