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## Household Resilience to Global Uncertainty

### THE CHALLENGE

Global uncertainty poses challenges for many families, but these challenges are particularly acute for those living in poverty. Global conflict, supply chain disruptions, and economic slowdown have increased the price and reduced the availability of food, medicine, and other necessities. Changing weather patterns disrupt the income of smallholder farmers and endanger families living in the areas most exposed to storms, flooding, or other climate-related disasters. And the ongoing pandemic continues to sicken and kill people, particularly in low-income countries where healthcare systems are inadequate, and where access to vaccines and antiviral medication remains limited.<sup>1</sup> The concurrent combination of these crises leaves families living in poverty at risk for multiple, serious economic and personal shocks.

### THE OPPORTUNITY

Families can navigate uncertainty and build economic resilience with the help of social enterprises that provide risk-mitigating goods and services. In particular, **savings** can provide

a cushion to absorb a wide variety of shocks, **information** can help people prepare for such shocks, and **microinsurance** can provide additional protection when the magnitude of such shocks exceeds one's personal resources.

### Savings

People living in poverty who have access to savings accounts are better able to weather unexpected economic setbacks.<sup>2</sup> **Nyèsigiso** – a microfinance institution in Mali in Global Partnerships' (GP's) Rural-Centered Finance with Education initiative – offers savings accounts, holds community financial literacy trainings in the villages where they operate, and provides agricultural training and coaching on clients' farms. A 2022 survey of Nyèsigiso clients found that 84 percent were better able to handle large, unexpected expenses thanks to Nyèsigiso's services.<sup>3</sup>

### Information

Evidence also indicates that people can better prepare for a potential shock when they understand the nature and probability of its occurrence and are equipped with successful mitigation and

1. Gill, Indermit, and Philip Schellekens. "COVID-19 Is a Developing Country Pandemic." *Brookings Institution*, May 27, 2022. <https://www.brookings.edu/blog/future-development/2021/05/27/covid-19-is-a-developing-country-pandemic/>.

2. Pomeranz, D., & Kast, F. (2022). Savings Accounts to Borrow Less. *Journal of Human Resources*, 0619-10264R3. Page 5. <https://doi.org/10.3368/jhr.0619-10264r3>.

3. Based on responses from 252 Nyèsigiso group loan clients in a 2022 study by 60 Decibels, Inc.



adaptation strategies. **MicroLoan Foundation Zambia**, another microfinance institution within GP's Rural-Centered Finance with Education initiative, is partnering with the **Conservation Farming Unit** to inform and support farmers in choosing crops most resistant to climate change. Programs such as these, alongside MicroLoan Foundation Zambia's financial services, enable greater resilience: 97 percent of surveyed MicroLoan Foundation Zambia clients report an improved ability to face a major emergency expense as a result of working with them.<sup>4</sup>

### Microinsurance

Some shocks can cause burdens beyond what families can absorb with their savings or personal preparations alone. These shocks may be able to be addressed by insurance products tailored to households living in poverty, often referred to as "microinsurance." **Turaco**, an early-stage social enterprise operating in sub-Saharan Africa, is GP's first dedicated microinsurance partner. While still early in its development, their offering is promising because they:

- focus on previously uninsured, low-income households;

- provide meaningful yet affordable coverage for shocks that are both frequently occurring and significant for that segment;
- design their products to be easy to understand and use; and
- offer rapid payment on claims, enabling clients to make timely use of the microinsurance safety net when needed.

These practices help ensure that Turaco can quickly give families living in poverty the resources they need to handle hardships resulting from a covered shock.

### IMPLICATIONS

Social enterprises like Nyèsigiso, MicroLoan Foundation Zambia, and Turaco can help families prepare for and cope with the shocks associated with complex, interrelated crises. GP intends to continue to use impact-first fund investments to support social enterprises such as these that bring savings account access, information, and microinsurance to difficult-to-reach populations. This work will help some of the families most directly affected by global uncertainty prepare for and deal with the setbacks it may cause.

4. Based on responses from 275 MicroLoan Foundation Zambia clients in a 2022 study by 60 Decibels, Inc.

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