

Table of Contents

	List of Tables.....	vi
	List of Figures.....	vii
	Abbreviations and Acronyms.....	viii
	Foreword.....	ix
	Abstract.....	xi
	Zusammenfassung.....	xiii
	Acknowledgements.....	xvi
1.0	INTRODUCTION.....	1
	1.1 Introduction.....	1
	1.2 Problem Statement.....	2
	1.3 Research Objectives.....	3
	1.4 Research Questions.....	3
	1.5 Thesis Outline.....	4
2.0	REVIEW OF LITERATURE.....	6
	2.1 Introduction.....	6
	2.2 Perspectives on Vulnerability.....	6
	2.2.1 Vulnerability to Natural Hazards.....	7
	2.2.2 Social Vulnerability.....	8
	2.2.3 Economic Vulnerability.....	19
	2.3 Literature Review on Vulnerability to Poverty.....	10
	2.3.1 Measuring Vulnerability as Expected Poverty.....	11
	2.3.2 Measuring Vulnerability as Low Expected Utility.....	14
	2.3.3 Measuring Vulnerability as Uninsured Exposure to Risk.....	16
	2.4 Sources of Vulnerability.....	17
	2.4.1 Vulnerability in Agriculture.....	17
	2.4.2 Economic Shocks.....	19
	2.4.3 Health Shocks.....	20
	2.4.4 Demographic Sources of Vulnerability.....	21
	2.5 Risk Management Strategies.....	21
	2.5.1 Ex-ante Risk Management Strategies.....	21
	2.5.2 Ex-post Coping Strategies.....	23
	2.6 Consumption Smoothing.....	24
	2.7 Summary.....	26
3.0	CONCEPTUAL AND THEORETICAL FRAMEWORK.....	27
	3.1 Introduction.....	27
	3.2 Conceptual Framework.....	28
	3.3 Theoretical Framework: The Agricultural Household Model.....	30
	3.3.1 Agricultural Household Model: The Case of Complete Markets.....	31
	3.3.2 Agricultural Household Model: The Case of Incomplete Markets.....	34
	3.4 Risk and Insurance in an Agricultural Economy.....	36
	3.4.1 Full Risk Sharing.....	37
	3.4.2 Intertemporal Consumption Smoothing.....	38
	3.5 Hypotheses.....	41
	3.6 Summary.....	41
4.0	OVERVIEW OF THE MALAWI ECONOMY AND DATA CONSIDERATIONS.....	43
	4.1 Introduction.....	43
	4.2 Malawi Country Profile.....	44
	4.3 Structure of the Malawi Economy.....	46
	4.4 Data Considerations.....	48
	4.4.1 Data Basis.....	48
	4.4.2 Construction of Expenditure Aggregates.....	51
	4.4.3 Construction of Poverty Lines.....	52

4.5	Summary.....	53
5.0	POVERTY AND LIVELIHOOD PROFILES OF THE STUDY AREAS.....	54
5.1	Introduction.....	54
5.2	Poverty Profiles.....	54
5.2.1	Demographic Characteristics.....	55
5.2.2	Poverty Profiles: Characteristics of the Household Head.....	57
5.2.3	Poverty Rates by Education, Employment, Health, Sanitation and Land.....	60
5.3	Livelihood Profiles of the Sampled Districts.....	65
5.3.1	Rumphi District.....	67
5.3.2	Kasungu, Lilongwe, and Mchinji Districts.....	70
5.3.3	Zomba District.....	73
5.3.4	Mangochi District.....	76
5.3.5	Blantyre District.....	79
5.3.6	Chikwawa District.....	82
5.4	Summary.....	85
6.0	AN ASSESSMENT OF HOUSEHOLD VULNERABILITY TO POVERTY IN RURAL MALAWI.....	86
6.1	Introduction.....	86
6.2	The Concept of Risk.....	87
6.2.1	The Risk Chain.....	87
6.2.2	Settings, Assets, and Activities.....	89
6.3	Methodology.....	91
6.3.1	Conceptual and Empirical Overview.....	91
6.3.2	Model Specification.....	92
6.3.3	Econometric Specification.....	95
6.4	Results.....	97
6.4.1	Descriptive Statistics.....	97
6.4.2	Determinants of Vulnerability in Rural Malawi.....	104
6.4.3	A Profile of Household Vulnerability in 2004.....	111
6.5	Vulnerability and Poverty Transition.....	119
6.6	Sources of Consumption Volatility.....	122
6.7	Summary.....	123
7.0	RISK MANAGEMENT STRATEGIES IN RURAL MALAWI.....	125
7.1	Introduction.....	125
7.2	Incidence of Shocks.....	125
7.3	Risk Management Strategies.....	134
7.3.1	Ex-ante Risk Management Strategies in Rural Malawi.....	134
7.3.2	Ex-post Coping Strategies used in Rural Malawi.....	138
7.4	Determinants of Risk Management Strategies.....	143
7.4.1	Multinomial Logistic Regression.....	144
7.4.2	Household Fixed Effects Logit Model.....	152
7.5	Summary.....	155
8.0	EVIDENCE OF CONSUMPTION SMOOTHING IN RURAL MALAWI.....	157
8.1	Introduction.....	157
8.2	Methodology.....	158
8.2.1	Theoretical Framework.....	158
8.2.2	Empirical Strategy.....	160
8.3	Results and Discussions.....	162
8.3.1	Effects of Idiosyncratic Shocks on Consumption.....	163
8.3.2	Consumption Smoothing using Household Asset Index.....	165
8.3.3	Partial Consumption Insurance and Risk Sharing.....	167
8.4	Summary.....	169

9.0	SUMMARY, CONCLUSIONS, POLICY RECOMMENDATIONS.....	170
9.1	Introduction.....	170
9.2	Summary and Conclusions.....	171
	9.2.1 Determinants of Vulnerability to Poverty in Rural Malawi.....	171
	9.2.2 Risk Management Strategies in Rural Malawi.....	172
	9.2.3 Consumption Smoothing in Rural Malawi.....	172
9.3	Implications for Policy.....	173
9.4	Study Limitations and Areas for Future Research.....	175