



BEHAVIORAL ECONOMICS FORUM | FEBRUARY 27-28, 2024

FOLLOW-UP Q&A

The questions below were submitted through Zoom during the forum but were not answered live due to time constraints. The speakers answered these questions after the event.

PANEL: LIMITED ATTENTION & COMPLEXITY

Behavioral Insights to Encourage Saving and Investment in Improved Agricultural Technologies

Speaker: Rachid Laajaj, University of Los Andes

Q: Subsidies research assumes that the inputs are available in the communities for purchase, but in most of the cases the inputs are not available at all. The challenge is imparting learning but with considerations of availability / supply of quality inputs. Is this something you have encountered?

A: Yes, I fully agree, the lack of availability of inputs is another barrier to adoption. So one thing is to promote only things that are available, but we also have a chicken and egg problem: there is no supply because there is no demand from the farmers because they don't know these inputs, but then because there is no supply, the farmers cannot learn about it. This tends to require some coordinated efforts to make inputs available while extension or other types of interventions aim at promoting it among farmers. The problem is that many agrovets find it easy to just keep selling the same stuff, even if not the best and most up to date, so the involvement of some agrovets motivated to innovate is important.

Q: Is there a risk of negative externalities of the 'input' subsidies efforts?

A: Negative environmental externalities: possibly. We tend to think that in most of Africa, there is rather underuse of such fertilizers, leading to poor soils, but if some may move towards more sustainable productive practices, this can certainly generate negative externalities, and needs to be compared to what farmers would be more likely to do without the subsidy.

Negative in other ways, I'm not sure. Theoretically, subsidies may make people lower the value that they attribute to the goods that are subsidized, but the evidence is that the learning effect dominates, hence their willingness to pay tends to increase.

Another potential negative effect is if it undermines other agrovets' sales of inputs (and weakens the private sector), but "smart subsidies" are typically made through some vouchers to purchase to the agrovets in a way that aims to strengthen rather than weaken the local supply of inputs.

Q: Women's ability to make decisions on inputs will be different from men's in most of the countries in USAID works. Were there any gender differences observed in your research?

I fully agree. In our research, we did not observe a significant difference between men and women. Perhaps because the fraction of households that we have with a woman household head was not/ particularly high in our population of participants.

Q: We're talking about savings, but if your husband just takes your savings, why would you work harder?

I totally agree, this type of gender discrimination can really accentuate the savings issue. It's not clear what solution can be used to help the woman in such situations. ROSCAs are sometimes used by women to put their money

away for this type of purpose, and bank account can have the effect. It was surprising in Mozambique the number of persons (male or female) that would not tell their husband or wife that they have a bank account!

Speaker: Lauren Bergquist, Yale University

Q: What are households spending the extra revenue on?

A: We see them spending it on a mix of consumption and (when paired with the lockbox!) farm investment and educational investment.

Q: Why is not there a kin tax with the lock box?

A: Theoretically, lockboxes could reduce kin tax by either providing a safe place to shield your cash from view of your kin or making clear to kin that you have a dedicated purpose for that savings. That's the theory. Empirically, we have only suggestive evidence on this, but we do see that (1) the lockbox increases consumption overall across the season, so it's doing more than just enabling the movement of funds across time; one possible mechanism there could be a reduction in kin tax; and (2) kin tax goes down among those most taxed at baseline when they have the lockbox.

Q: Do you know how many farmers are using improved or hermetic grain storage with these other innovations?

A: These aren't part of our formal trials, but we did ask about this quite a bit in our focus groups prior to running our study (in fact, we had thought during our initial study design period that we might have a treatment arm in which we offered them!). But in focus groups we learned that (1) they seemed quite expensive relative to what farmers expressed being willing to pay; and (2) in our setting, farmers reported that post-harvest losses were fairly low. Immediate cash needs, rather than post-harvest losses, seemed to be the biggest self-reported driver of early sales. This of course is very specific to the particular geography of our sample and the pest prevalence there.

Q: Would not a savings group help with smoothing investments?

A: It's a great question! In theory, something like a ROSCA could help serve as an alternative savings vehicle. And these are quite common in this setting. To the extent that the lockbox is just a safe place to save, and assuming ROSCA's feel equally "safe" (e.g. if there is good trust among group members), then yes, I think this could help. To the extent that the lockbox is working through mental accounting, a ROSCA could help here too - you get the pot only at a particular time, and perhaps you've announced or precommitted to the group or yourself about how you plan on spending your pot. I'm not clear how this would interact with kin tax, as one could imagine this going either way: on one hand, you shield your money every period when you contribute, but on the other hand, if it's publicly known when you receive the pot, you might imagine kin tax could be even greater hard to say. The takeaway here is that I wish we had more definitive evidence on the mechanism by which the lockbox works, because then we could say with more confidence what alternative savings vehicles would serve a similar purpose.

Speaker: Andrew Dillon, Northwestern University

Q: What seed inputs are being offered by these fairs? What % of the seed volume is maize versus other crops?

Around 5% of total sales are attributable to seed. This is primarily because Malian farmers exchange seed locally with each other. The main crops in these areas of Mali are sorghum, millet, groundnut and some water-recession cultivated rice.

Q: Does the \$100 per fair include NGO or government staff cost?

USD 100 is the marginal cost of organizing the fair during the experiment. During our scaling phase, we have started up 4 Village Input Fair (VIF) enterprises over the past 3 years in Mali and our basic start-up grant is USD

10,000 per enterprise to organize 75 fairs over 2 years (25 the first year and 50 the second year). The VIF enterprises also generate revenue by selling ag dealers licenses to finance their staff/operating costs.

Q: What is the sustainability of fairs five years after the project?

We are scaling up the VIF model in Mali with four VIF enterprises leading the coordination. We anticipate organizing 150-175 fairs this year in Mali. We are also starting up VIF enterprises in Burkina Faso and hopefully Ghana in the next year.

Q: Most of our interventions require additional effort and time by the farmer in addition to cost. Time poverty is a big constraint for women. Was that constraint considered or observed as part of this research?

A main motivation of organizing VIFs in the village is to reduce time constraints to acquire inputs for all farmers but especially women. Most women have to travel outside of their village to access inputs. VIFs secure input orders during a one-day fair and then inputs are delivered during the planting season. This saves all farmers a lot of time and is more efficient for ag-dealers who reduce customer costs by offering products to the village rather than to individual farmers.

PANEL: ASPIRATIONS, AGENCY, AND MENTAL HEALTH

Strategies for Addressing Psychosocial Constraints in Poverty Reduction Interventions

Speaker: Catherine Thomas, University of Michigan

Q: How much does the cultural specificity of psycho-social interventions limit the external validity of research findings and the degree to which we can translate learning from one context to another context?

A: The feature that I think is relatively generalizable across low-income settings is a focus on interdependence with close others. Strengthening rather than (often inadvertently) straining relationships will be important in low-resource contexts when people are very dependent on each other. So I think ensuring programs acknowledge interdependent values (e.g., obligations to others, adherence to norms) and relational dynamics (e.g., not increasing tension and enmity) will be useful across many low-resource contexts. I have a paper on this point here: <https://journals.sagepub.com/doi/abs/10.1177/00220221221128211>.

Q: Gender based violence will affect women's aspirations, mental health, etc. Does the research speak to this?

We don't measure GBV directly in this study and so cannot speak to this; however, I could certainly see how violence could undermine aspirations. There has been research led by Mahreen Mahmud and Kate Orkin showing how adding aspirations interventions to the delivery of cash transfers to women can mitigate GBV among high-risk households.

Speaker: Andres Moya, University of Los Andes

Q: What is the scope for integrating Semillas de Apego type activities into other programming / other settings (with complex emergencies where USAID implements so many activities)?

A: We believe there can be good complementarities or multiplicative effects of integrating the program with other initiatives, including USAID programs in Colombia and elsewhere. We find, for instance, that there is heterogeneity of impact according to existing mental health problems (higher impact) and socioeconomic vulnerability (lower impact). This indicates that the program works well to address psychological constraints from the experience of conflict, but that food insecurity and poverty lower the capacity of caregivers to make a deep dive into their

emotional world (similar to a Maslow Hierarchy of Needs) and should be addressed first or simultaneously. Hence, it would be interesting to test how these integrations work and create these synergies.

And for the implementation side, absolutely, the program can be implemented in different settings and modalities so this is definitely possible.

Q: It seems that Semillas de Apego is targeted exclusively to female caregivers. Is that correct? If so, why?

A: Good question. The program is open to all caregivers, including mothers, fathers, and other caregivers because we know that the quality of the relationship with an adult caregiver can potentially buffer children from the effects of adversities and stress. In practice, however, the majority (95%) of participants are women and the mothers of the child (87%). Over time, we've seen an increase in father's participation, which we presume is explained by the program's indirect effects on parenting norms and gender roles. This is something we did not test for in the impact evaluation but that we will analyze in the at-scale evaluation.

PANEL: DECISION MAKING IN THE FACE OF RISK & UNCERTAINTY **Designing Insurance Contracts to Improve Well-being and Technology Adoption**

Speakers: Glenn Harrison, Georgia State University & Karlijn Morsink, Utrecht University

Q: There is already very low uptake of this type of insurance. This presentation suggested 83% of that low uptake is based on terrible decisions. Earlier it was noted that many/most products are overpriced. What is the takeaway here? It doesn't seem like a tinkering on the margins type of problem.

A: The first take-away is not to be so focused on take-up as the metric, even if that sounds counter-intuitive. If the insurance has a high premium, relative to the premium that is attractive to you given your risk preferences, then the correct, welfare-enhancing choice for you is not to purchase the product.

The second take-away is that we need to know a lot more about the people we are intending the policy for. What are their risk preferences? What are their subjective beliefs over losses? Do they have sufficient "insurance literacy" to understand the product, and that the best product is in fact one that you never have to use (again, counter-intuitive to some)? And what other risk management options do they have, formal or informal, that might be getting crowded out by some insurance product that has a teaser-subsidy for a very few years? So yes, the take-away here is that there are some "hard yards" that need to be done before we even offer a product.

The third take-away is more focused on the product: is it a good product from an actuarial perspective? Here Michael Carter and co-authors have done magnificent work on [QUIIC certification](#) of products along these lines, to help local insurance regulators who are stressed with staff in these areas.

Q: What are the practical implications for insurance marketing and delivery? Insurance companies will not be running experimental games to measure individuals' risk aversion and subjective probability beliefs. Are there low-cost means for insurance agents to measure/identify this relevant heterogeneity in potential clients?

A: Yes, there are some low-cost ways for agents to do this, and they "should be" doing it. There are two problems. One is how to measure if they are doing it, and for that one needs to do the hard work to elicit risk preferences and subjective beliefs about loss probabilities (not with "games" at all, but with incentivized choices). The other is how to design their contracts to make it in their interest. Here we have deep knowledge of the same issue from developing countries, changing the contracts to reward agents not just on the instant sale, but when the customer purchases next year, and the year after.

Q: How can the insurance company be incentivized to provide incentives to agents to provide tailored advice that reduces their sales?

A: We do not want them to reduce sales unconditionally. The “unconditionally” here is the whole point. Some people should buy a specific product, and some should not. We worked out a scheme to make the insurance company “whole” in our field experiments in Ethiopia if these incentives were in place, since they do see (obviously) the risk of reduced sales in the short run. But we would argue, based on knowledge of the insurance industry, that insurance companies will see the net benefits in the medium-run and long-run when attrition is reduced. When you see some insurance marketing trick that generated an increase in take-up, ask the researcher what the attrition rates were in the later years (they will shuffle their feet and claim they do not know). Actually, insurance companies typically take their lead here from re-insurance companies, so they are the ones one needs to target.