Title: Fish and Forests as Natural Insurance: Strategies to Cope with Permanent vs. Temporary Shocks

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Abstract: It is often claimed that rural households, especially the poor, rely on natural resources to cope with risks. What is less understood is its extent and whether harvesting natural resources is a strategy to cope with particular types of risks. To investigate this question, this paper utilizes survey data of rural households from a nationally representative survey in Cambodia. We find that households who face higher idiosyncratic shocks are more likely to engage in fisheries and forestry, the two major natural resources available for rural Cambodians, suggesting that the resources are used as a risk-coping strategy. The paper advances the analysis further by examining whether the types of shocks influence the use of natural resource as coping strategy. We find that permanent shocks, such as HIV infection and death of the household head, tend to induce higher dependency on natural resources compared to temporary shocks such as temporary illnesses and weather shocks. A possible explanation is that non-resource use strategies such as credit, if available, is used for temporary shocks but not so for permanent shocks, leading to higher dependence on natural resources to cope with latter type of shocks. Furthermore, we find that stockability of the resource is correlated with differentiated use of forestry and fishery resources for the two types of shocks. Finally, we find some evidence of wealth bias in risk-coping strategies: regardless of the types of shock, harvesting natural resources is a common risk-coping strategy for the poorest households without other risk-coping options.