

Preliminary draft

**Consumption Insurance against Unforeseen Epidemics:  
The Case of Avian Influenza in Vietnam\***

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April 2008

**Abstract**

We examine how households protected their livelihood against an unexpected negative shock caused by the highly pathogenic avian influenza (HPAI). We also compare HPAI with other shocks such as sickness, ceremonial events, typhoon, flood, drought, and unemployment. We apply the framework developed by Fafchamps and Lund (2003) to our unique household panel data collected in two Vietnamese villages exclusively for this study. While we reject the full consumption risk sharing hypothesis strongly, our empirical results reveal that informal credit transactions played an important role for those who affected by HPAI in coping with the unforeseen negative asset shock created by HPAI.

Keywords: Avian Influenza; Consumption Insurance; Risk Coping; Poverty

JEL Classification Numbers: D12, O12

\* We would like to thank Hikaru Miki, Nguyen Khanh Hoi, and other staffs of Save the Children Japan (SCJ) Vietnam office, respondents of Muonglai commune, and survey enumerators, Hoang Tanh Binh, Pham Phuong Mai, Hang Nguyen Thu, Dang Thi Huong, and Dang Ngoc Lien for their invaluable cooperation in the first author's village survey. Ryohei Gamada kindly share his data with us. We acknowledge financial supports from the Research Institute for Economy, Trade, and Industry (RIETI). We also would like to thank Hiroomi Akashi, Marcel Fafchamps, Masahisa Fujita, Hidehiko Ichimura, Yoichi Izumida, Kenichi Ohno, Izumi Ohno, Satoshi Shimizutani, Masahiro Shoji, Tran Van Tho, and Yasuyuki Todo for their useful comments. Usual disclaimers apply.

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