

INDEX-BASED LIVESTOCK INSURANCE PROGRAM IN ETHIOPIA: Building on Lessons Learned

Background

The Index-Based Livestock Insurance (IBLI) project in Ethiopia, with support from the Feed the Future Innovation Lab for Assets and Market Access, has already made groundbreaking contributions to strengthening resilience and economic viability of pastoralists in East Africa. This project explored index insurance contracts in which payments are based on an easily observable index that is correlated with, but not identical to individual loss. This mechanism saves significant costs over conventional insurance mechanisms, in which individual losses are reported, verified and indemnified (and logistically infeasible in infrastructure deficient regions). For the index, the team looked skyward to a high-quality, real-time satellite-based measure that measures the vigor and vegetation available and pays pastoralists for predicted livestock mortality in times of severe shortage.

Research around the AMA Innovation Lab-supported impact evaluation of IBLI in Ethiopia is already generating important lessons for replication in other pastoralist communities around the world. In 2013, USAID awarded this project, through the AMA Innovation Lab, the Science & Technology Pioneer Prize in recognition of the achievements to date, and to support the next phase of improvements and expansion for the IBLI program in Ethiopia.

Project Summary

The funding provided by the Science & Technology Pioneer Prize is being used by partners to better integrate IBLI into mission programming, particularly the Pastoralist Areas Resilience Improvement and Market Expansion (PRIME) project. PRIME promotes the viability and resiliency of vulnerable pastoralist communities through myriad activities, including those directed toward economic growth and climate change adaptation. IBLI is a supplemental mechanism to reduce fluctuations in asset stocks in times of crisis, as well as to reduce poverty, promote food security, and improve productivity.

Funding will also be used to improve extension and education. A major challenge for index insurance remains client understanding of the product, which is necessary to catalyze demand. Funding would also assist in the identification of imaginative, cost-effective solutions to improve the sales delivery infrastructure, especially by reducing the density of sales agents and reducing the cost of the sales transaction. Finally, funding will be used to improve information provision, both to build salience and awareness of the program and to provide regular updates of the state of the index to clients.

Anticipated Impacts

Scaled up index-based livestock insurance has the potential to transform vulnerable pastoralists into resilient, vibrant market participants with high growth potential. If the remaining challenges are overcome, IBLI can effectively and sustainably address the greater development challenges of exposed risk and poverty traps.

PROJECT OVERVIEW

Lead PI

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Partners

Cornell University, Oromia Insurance Company, MercyCorps

Timeline

2013-2016

Funding

\$190,000

Key Innovation

Index-based Livestock Insurance (IBLI)

Region

Borana Plateau

Commodity

Livestock

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