

Drought Micro-insurance in Ethiopia:

An Innovative Model to Increase the
Resilience of the Poorest Households

Index Insurance Innovation Initiative

January, 2010
Rome, Italy

Dir biyabir anbessa yassir.

“When spiders’ webs unite, they can tie up a lion.”





Horn of Africa Risk Transfer for Adaptation **HARITA (11/07-12/09): A Case Study in**

- Community-driven CC adaptation;
- Holistic drought risk management;
- Weather index insurance, designed for/by farmers;
- Replicable/scalable approach
- Trust, Education, Demand-Side Focus

Selected Partners & Advisors

Adi Ha Multipurpose Farmers Cooperative

Relief Society of Tigray (REST)

Nyala Insurance Co.

DECSI microfinance institution

National Meteorological Agency

Tigray Food Security Office

Mekele University

Institute for Sustainable Dev' t



Oxfam America

Swiss Re

Columbia University/IRI

The Rockefeller Foundation

Index Insurance Innovation Initiative (I4)

1996...



Foundation of
Trust in Adi Ha

& Today



21 Farmers
Collecting
Rain Data



Playing Experimental
Games



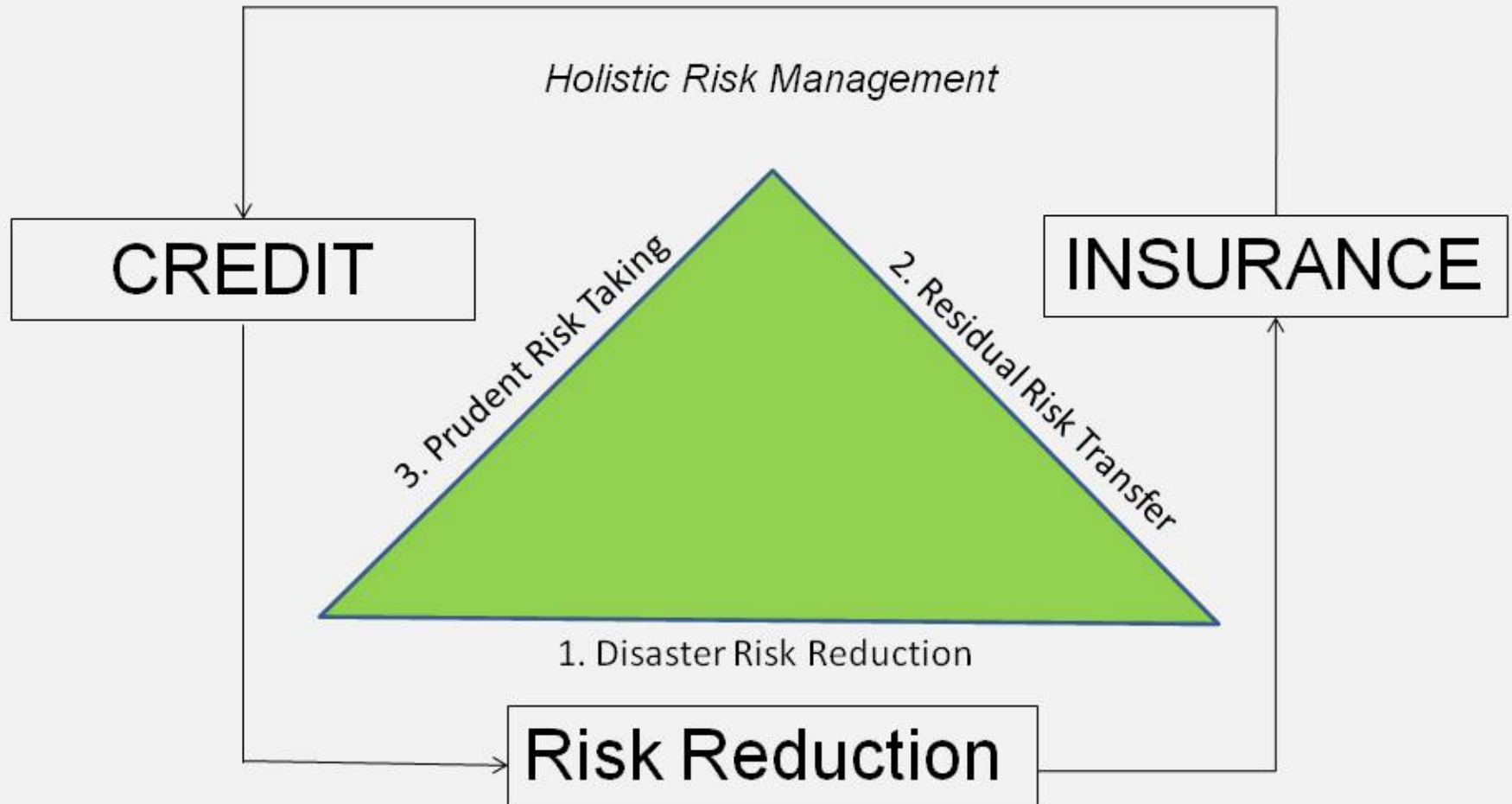
Enrollment Day
Testimonial



Design Team
Learning to
Measure
Rainfall



HARITA Conceptual Framework



Complement Informal Insurance & Ethiopia's Productive Safety Net Program (PSNP)



PSNP: “Predictable Transfer for Predictable Needs”
Insurance: “Predictable Transfer for *Unpredictable* Needs”

Standalone Insurance Package

Package Characteristics

Percentage premium price: 24%

Expected payout just over 1 in 5

No *direct* price subsidy

Results (May 2009)

200 hh purchased (approx. 20% of all households)

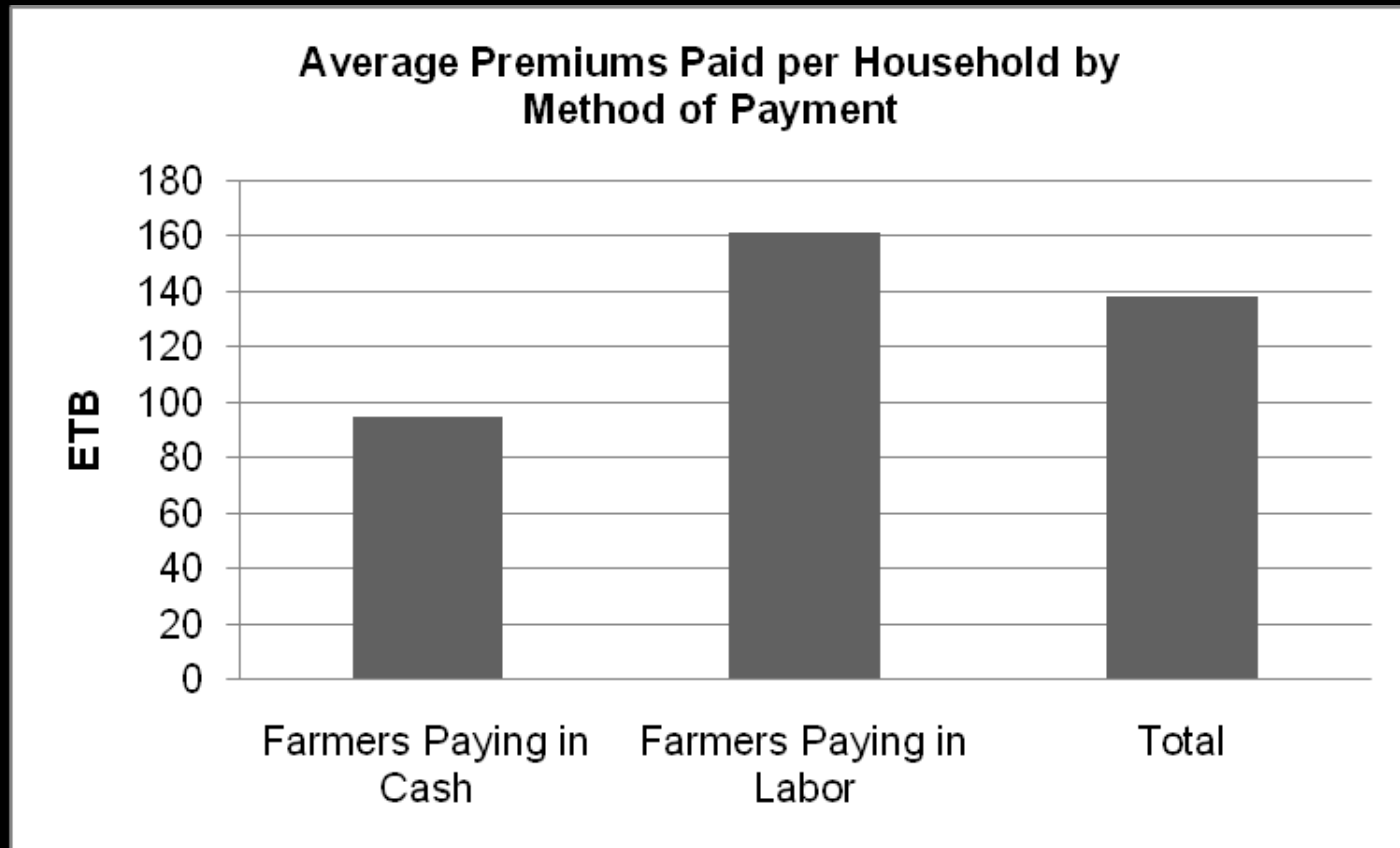
Avg. premiums: 138 ETB*, 1.8X minimum option

*adjusted for landholding

Swiss Re



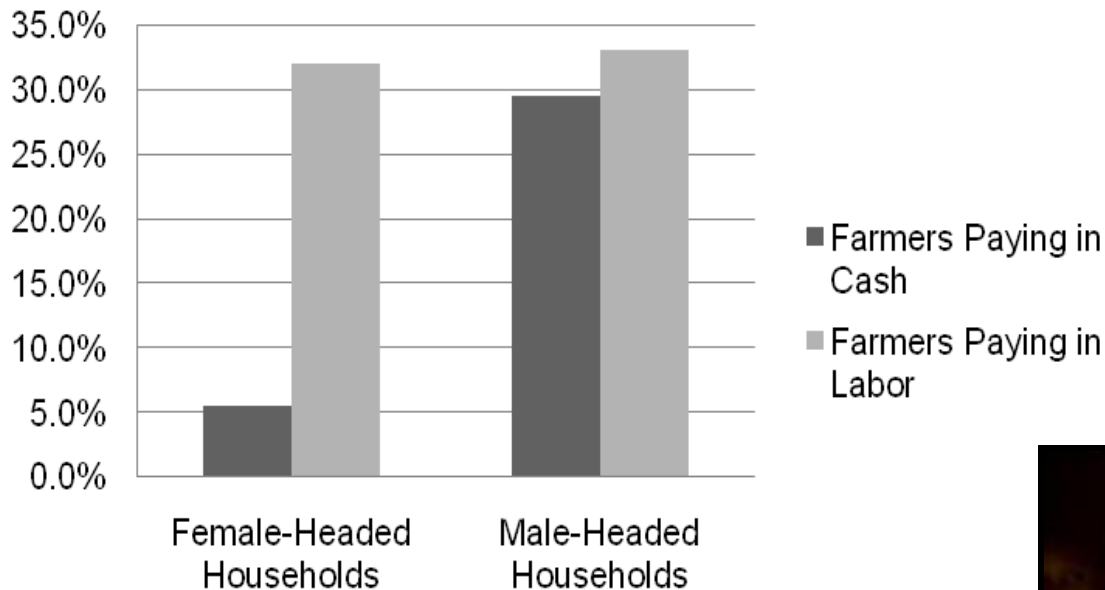
PSNP vs. Non-PSNP Farmers



The majority (65%) of buyers were PSNP participants.
On average, PSNP purchased more cover than non-PSNP.

Female vs. Male Headed Households

Farmers Willing to Purchase Insurance by Gender and Method of Payment



- 38% of all enrollees: female head of hh
- Vast majority purchased with labor



Post-Rollout Survey

(Peterson 2009)	Buyer?	N	Mean	Std Dev	Std Error
Gender (% women) (F=14.019, p<0.000)	Non-buyer	68	0.1471	0.3568	0.04327
	Buyer	114	0.4035	0.49277	0.04615
	Total	182	0.3077	0.46281	0.03431
Age of household (F=31.726, p<0.000)	Non-buyer	68	48.1029	15.10277	1.83148
	Buyer	114	37.0439	11.23867	1.0526
	Total	182	41.1758	13.85887	1.02729
PSNP participation (% who participate) (F=19.967, p<0.000)	Non-buyer	66	0.3182	0.46934	0.05777
	Buyer	111	0.6486	0.47956	0.04552
	Total	177	0.5254	0.50077	0.03764

Post-Rollout Survey

Peterson (2009)	Buyer?	N	Mean	Std Dev	Std Error
Timad of rainfed land you own (F=6.61, p<0.011)	Non-buyer	68	3.3088	1.61795	0.19621
	Buyer	113	2.6217	1.81115	0.17038
	Total	181	2.8798	1.76828	0.13143
Timad of irrigated land you own (F=5.842, p<0.017)	Non-buyer	68	0.5228	0.41325	0.05011
	Buyer	112	0.3772	0.37817	0.03573
	Total	180	0.4322	0.39701	0.02959
Timad of teff grown last season (F=7.389, p<0.007)	Non-buyer	68	2.7426	1.41287	0.17134
	Buyer	114	2.1009	1.61187	0.15097
	Total	182	2.3407	1.56777	0.11621

TOP REASONS FOR PURCHASE

Generally worried about drought: 55.3%

Looking for additional coping mechanism: 20.2%

Trust organizations involved: 7%

Want to try something new: 6.1%



TOP REASONS FOR NON- PURCHASE

Unaware of the opportunity to buy: 40.7%

Did not understand insurance: 12.8%

No reason: 30%

SATISFACTION RATES

Price: 93%

Coverage period: 95.6%

Crop used: 82.5%

Satellite data ok: 89.5%

Complaint process: 92.1%



Future Research

- Does this approach really benefit the poorest farmers? IFW vs cash may make a difference.
- How much insurance is optimal?
- How to measure benefits of risk reduction/labor? Affects value proposition and CBA.
- How replicable? How scalable?
- Farmers manage basis risk via savings or *gamgam*??



Thank you!



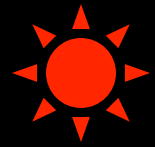
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The Distribution Model



HARITA Distribution Yr. 1



Drought index
triggered

Predictable Transfers for Predictable Needs
(PSNP 8 million beneficiaries)

Predictable Transfers for Unpredictable Needs
(Drought Insurance Proposal)

