

Drought Micro-insurance in Ethiopia:

An Innovative Model to Increase the Resilience of the Poorest Households

UNFCCC Technical Workshop

April 28, 2009
Cairo, Egypt

Dir biyabir anbessa yassir.

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



Oxfam
America



Oxfam's Bottom Line: The Mission

Create lasting solutions to poverty,
hunger, and injustice

What to do about climate change?

Work harder & smarter



Horn of Africa Risk Transfer for Adaptation (HARITA)

Project Concept

- Innovative pilot for weather index micro-insurance
- Yr. 1: teff farmers in Adi Ha, Tigray, Ethiopia
- Demand-driven product development
- Climate change adaptation
- Holistic approach to risk management, integrating:
 - Risk transfer (weather insurance)
 - Risk reduction (cash-for-work programs)
 - Prudent risk taking (credit)



Teff



Tigray

Local to Global Partners & Advisors

Farmers in Adi Ha

Relief Society of Tigray (REST) & Tigray Food Sec. Office

DECSI microfinance institution

Nyala Insurance Co.

Mekele University

National Meteorological Agency

Columbia University

Swiss Re

Numerous Advisors: Inst. For Sustainable Dev't, Oxford U., UC-Davis



Contributions of Each Sector

Farmers:

Intimate understanding of problem and a fresh perspective

Academics:

Cutting edge technology, technical expertise, credibility with PS

Private Sector :

Business expertise, focus on long-term financial sustainability, \$ for research

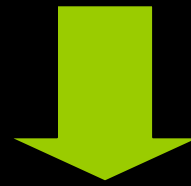
NGOs:

Convening power, access to/trust of farmers, risk reduction experience

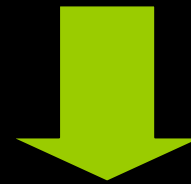
Government :

Legitimacy, permanency , distribution platform

Drug Development 2009



Drug Trials 2010



Drug Rollout 2011 (?)



The Distribution Model

Ethiopia's Productive Safety Net Program (PSNP)



- Established 2005; budget of nearly USD \$500m
- Increasing resilience to chronic food insecurity
- Integrating credit, extension services, and risk reduction
- Goal: participants graduate in 3 years
- Gains fragile: 2008 drought wiped out improvements for many

Major Interests in Pilot

Farmers

- Holistic risk management and sustainable livelihoods
- Overcoming cash constraint
- Getting something for their premium, even in good years

Donors/Government

- Breaking the cycle of poverty through locally appropriate solutions
- Mitigating food security emergencies and climate change risk

Local Insurers

- Finding ways to reach rain-fed farmers (85% of the population) cost effectively and profitably

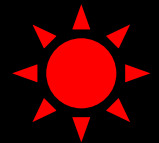
Re-insurers

- Identifying extremely large risk pools

Lenders

- Managing default risk
- Overcoming liquidity constraints

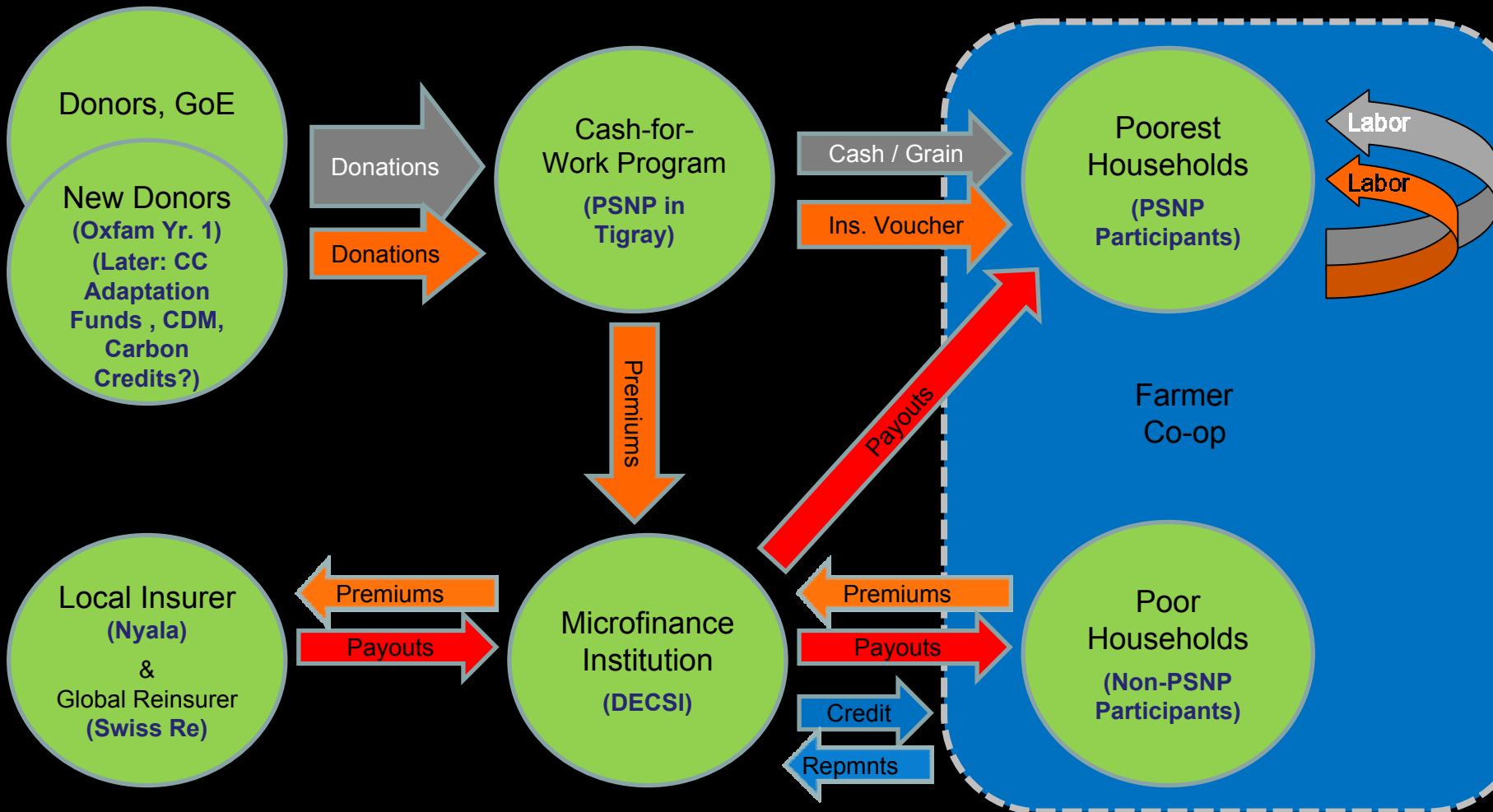
HARITA Distribution Yr. 1



Drought index triggered

Predictable Transfers for Predictable Needs
(PSNP 8 million beneficiaries)

Predictable Transfers for Unpredictable Needs
(Drought Insurance Proposal)



Innovations

- Farmers' very active participation
- Overcoming data barriers: technology/farmer weather measurements
- Farmers pay in labor
- Address losses from non-insured perils

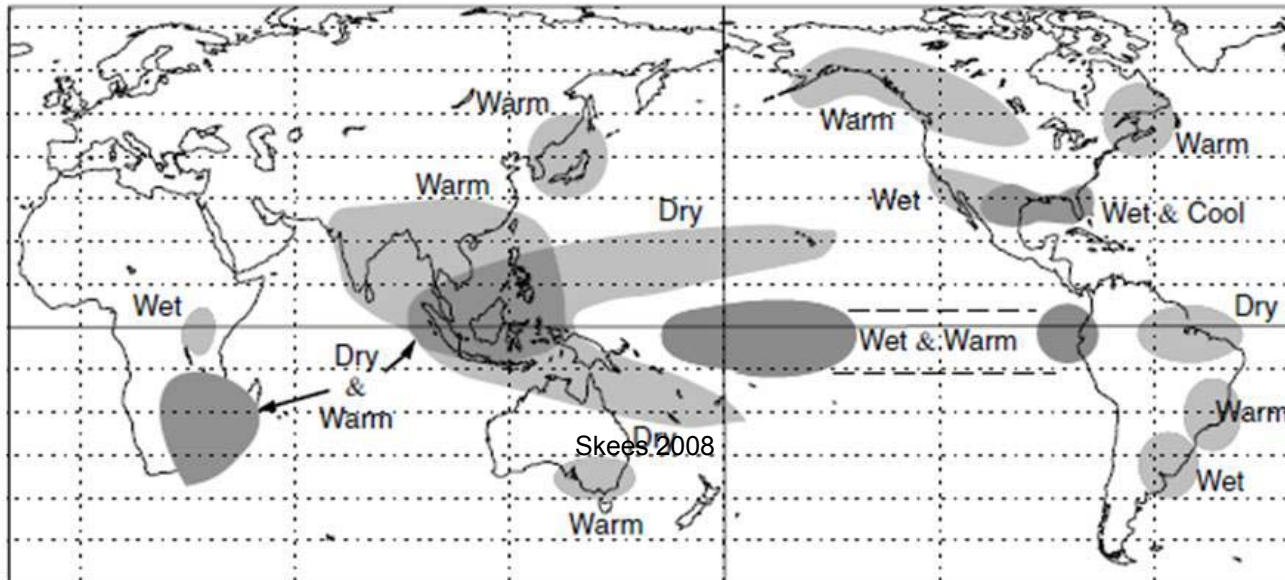


Future Innovations?

- Farmers manage basis risk partly through social mechanism?
- Insurance payouts in grain?
- Holistic management with meso/macro layers of risk?
- Other countries integrate insurance into existing or new programs featuring CCT's (conditional-cash-transfers)?
- Global ENSO Risk Insurance Market?

Opportunity for Global Risk Pooling?

- ▶ El Niño impacts weather on a global level
- ▶ El Niño weather patterns for December-February





Thank you!



For more information, please contact:

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