

# Scaling index-insurance in Ethiopia: lessons from the Index-Based Livestock Insurance program



## Workshop report

Policy dialogue conducted on 10 July 2018

Addis Ababa, Ethiopia



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# Executive summary

This policy dialogue on scaling index insurance in Ethiopia, brought together key government policy and decision makers, research institutes, the private sector and development partners and practitioners to share experiences and outline a concrete process to support the effective widespread provision of agriculture insurance. Various in-depth presentations from International Livestock Research Institute (ILRI) researchers, Technical Centre for Agricultural and Rural Cooperation ACP-EU (CTA), government and private sector; highlighted the extent of drought-related losses and the impact of such losses on pastoralists and their governments. Presentations and discussions also affirmed agricultural insurance and specifically livestock insurance, as an effective and cost-efficient tool for enhancing pastoralists' resilience to drought.

The sharing of experiences revealed key insights from the implementation of Index-Based Livestock Insurance (IBLI) program in Kenya, and the IBLI pilots in Ethiopia. It is envisioned that these insights will inform the scale of IBLI in Ethiopia. The experiences of other development partners such as the United Nations World Food Program (WFP) and CTA were also key in enhancing the knowledge of participants on the subject. Panel discussions allowed participants to delve deeper into issues pertinent to the scaling up of index-based livestock insurance in Ethiopia to chart a way forward. Key recommendations to this effect were articulated, among them being the need to establish a national body placed within the national government, as a focal institution to coordinate the development and scaling up of crop and livestock insurance programs in Ethiopia.

There was also firm commitment expressed by all partners including the government, ILRI, CTA and private insurance companies to deploy efforts and resources to move the process of scaling up index insurance in Ethiopia forward.

# Background

For close to a decade, the International Livestock Research Institute (ILRI) and its partners in the public, private and non-profit sectors have pursued a comprehensive research-into-development agenda aimed at designing, developing and implementing market mediated index-based livestock insurance (IBLI) to protect livestock keepers from drought related asset losses, particularly those in the drought prone Arid and Semi-Arid Lands (ASALs).

First piloted in Northern Kenya in 2010, IBLI was adopted by the government of Kenya in 2013 under the Kenya Livestock Insurance Program (KLIP) as the evidence of IBLI as an effective and cost-efficient tool for enhancing pastoralist resilience to drought, minimizing drought-related losses, and increasing investments in production mounted. KLIP, a public-private partnership, is currently facilitating the provision of IBLI contracts to over 20,000 pastoralist households across 8 arid counties in Kenya with a vision of supporting 100,000 households across 14 counties by 2020.

Introduced in Ethiopia in 2012 in a pilot commercially implemented by the Oromia Insurance Company (OIC) in the Borana Zone of southern Ethiopia, the conversation around IBLI is gaining momentum with more stakeholders investing in efforts to provision IBLI and other related agricultural index-insurance products more broadly. In the face of further demonstrations of the value of IBLI with record payouts to covered pastoralists in Borana during the 2017 droughts, and with projects around crop-based index-insurance also increasing coverage, the time was deemed ripe to convene a structured, purposeful conversation around catalyzing sustainable scale of IBLI, and agricultural index-insurance more generally, in Ethiopia.

The policy dialogue workshop, sponsored by CTA through its Climate and Markets East Africa (C-LI-MARK) program, is part of a broader support the sustainable scale of Index-Based Livestock Insurance initiatives in partnership with ILRI, the Oromia Insurance Company, and Takaful Insurance of Africa.

## Meeting objectives

This policy dialogue brought together key government policy/decision-makers, research institutes, the private sector and development partners and practitioners to share experiences and outline a concrete process to support the effective widespread provision of agriculture insurance. Specifically, it was aimed at;

- exchanging relevant lessons from IBLI and related programs for enhancing pastoralist reliance to drought and generally promoting investment in small-holder crop and livestock agriculture,
- identifying opportunities for economically sustainable and scalable index-insurance initiatives in Ethiopia,
- setting the stage for a coordinated initiative for scaling index-insurance in Ethiopia and developing a related road-map.

# Welcome and opening

The meeting started on a very high note with most participants arriving in good time, perhaps an indication of their enthusiasm to participate in discussions of the day. Andrew Mude extended a warm welcome to the participants and gave each person present an opportunity to introduce themselves. It was noted that with the diversity of participants present, discussions were bound to be rich and fruitful. This introductory session also included addresses by various key participants that served to set the scene for the discussions that would take place throughout the day.

In her welcome note, the Director General's Representative for Ethiopia, for International Livestock Research Institute (ILRI), Siboniso Moyo, ensured that all guests felt at home. She introduced the programs at ILRI and highlighted ILRI's contribution in supporting the Ethiopian government in developing an agricultural plan. She emphasized the criticality of the policy dialogue as an opportunity to share research results and lessons learned from one of the flagship programs, Index-based livestock insurance (IBLI). She expressed great interest to exchange relevant lessons and expressed gratitude for the gracious support of the Technical Centre for Agricultural and Rural Cooperation ACP-EU (CTA) through the Enhancing Market Response to Resilience in livestock Value Chain in EA (CLIMARK) program. She further noted that the knowledge and experience shared at the meeting would serve to enhance learning and future plans.

Michael Hailu CTA Director, emphasized the significance of such a forum while highlighting the effects of drought on vulnerable populations. In his view, if relevant policies and programs were put in place, then drought would not necessarily have to be disastrous. CTA has been supporting various projects including; CLIMARK and plays a key role in facilitating the exchange of lessons at a global level. Hailu's address pointed participants towards the main agenda of the meeting which was to unpack ways in which Ethiopia can learn from experiences such as Kenya, to scale up livestock insurance in the country. He also highlighted the place of ICT in making services available for smaller holder producers and pastoralists, a key issue that would later be reiterated by most speakers at the forum. He indicated that as much as the purpose of the workshop was to seek opportunities for adaption in Ethiopia, CTA is also keen to scale this project up in other countries in Africa. He commended ILRI for demonstrating great innovation in this area and expressed great hope for concrete recommendations coming from the dialogue.

Prof. Fekadu Gebre, state minister, Ministry of Agriculture and Livestock Development in Ethiopia was present at the meeting. His presence at the policy dialogue spoke not only to the criticality of the discussion on livestock insurance, but also to the commitment of the government to identify effective strategies for helping livestock herders and farmers manage the risks of drought. In his address to the participants, he noted the government's recognition that IBLI is targeting one of the critical limiting factors faced by pastoralists- drought-related livestock mortality. He also recognized that insurance can also allow government to proactively, and more cost-efficiently, respond to severe drought risks and stated that the conversation on micro insurance in Ethiopia is timely. He also indicated that the government is keen to lend support in ensuring appropriate provision of insurance and its effective integration with complementary risk-management tools. He further reiterated the government's commitment to ensure effective coordination, and structured investment to realize the economically sustainable and widespread provision of agricultural index-insurance to benefit Ethiopian herders and

farmers. He expressed commitment to provide the required guidance and leadership to establish a well-structured and impactful national agricultural insurance program.

## Setting the scene

The setting the scene session saw participants treated to two in-depth presentations focusing on resilience building. In the first presentation, Polly Ericksen, program leader for the sustainable livestock systems program at ILRI gave an overview of ILRI's understanding of resilience. She highlighted livestock as a key asset to help communities manage shocks and stressors and emphasized the need for resilience building to reduce vulnerability and enhance processes of recovery.

She also highlighted the three areas of interventions by ILRI which focus on protecting assets, linking assets to productivity and protecting against loss of the assets. She noted that one of the key lessons learned in asset protection, is that protection in itself is not enough. There is need for additional investments to enhance productivity of the assets to ensure communities thrive economically. A key question raised from her presentation was about who benefits from economic returns from livestock opportunities. When asked what lessons ILRI has learned regarding this, the presenter emphasized the need to invest efforts to pay attention to groups that could be easily ignored such as women and youth. The basic principle emerging from this question was the need to pay attention to who is benefiting and understand that many other circumstances are being managed by the poor households. While describing the promise and impact of livestock insurance, and the demand it could potentially meet in Sub Sahara Africa, Ericksen noted that protecting assets is only a first step. As such, there is need to consider other forms of social protection.

Sabdiyo Dido Bashuna, CTA Regional Program Leader, delivered the second presentation in this session titled, Enhancing Market Response to Resilience in livestock Value Chain in EA (C-LI-MARK). She informed participants that CTA is addressing resilience in several ways including; building climatic resilience in crops and livestock as well as looking into policy and advocacy in several countries. The C-LI-MARK project considers resilience building from a market perspective and operates in Kenya and Ethiopia. The main objective of the project is to enhance market response to resilience in livestock value chain in horn of Africa. Some key issues emerging from this presentation include the fact that droughts affect local market systems and lead to the breakdown of household food and nutrition security, with the most vulnerable (like women) bearing the burden. One of the key messages emerging from this presentation is the importance of giving pastoralists information about the weather, in a form that they can understand and appreciate, and the hypothesis that this should trigger their action within the market. A key question arising from this presentation was the extent to which indigenous methods of weather prediction, were incorporated. In response to this, it was explained that the C-LI-MARK project incorporates a blended weather information system that also includes the indigenous weather prediction and dissemination methods. This means that indigenous institutions are being used as part of the dissemination system.

This presentation also echoed sentiments from the first one in this session, that insurance alone is not enough. Key insights from implementation of the C-LI-MARK project have revealed that there needs to be an integrated approach, and markets are key to this. Insurance needs to be bundled with other services such as micro-credit to increase uptake. Other integrated services aimed at pastoralists' behaviour change should also be included. There was also an emphasis on the need to increase awareness to the pastoralists to ensure they know about insurance products as well as the use of ICTs to drive efficiency of service delivery and outreach.

# Index-Based Livestock Insurance: toward sustainable drought risk management, experiences from Kenya and Ethiopia

The next segment of the policy dialogue gave participants an in-depth look into experiences and lessons learned in the implementation of livestock insurance programs in Kenya and Ethiopia so far. The first of these presentations was delivered by Andrew Mude, IBLI program lead, who gave an overview of what Index-based Livestock Insurance is and its criticality in resilience building. In making the case for IBLI, he highlighted the criticality of livestock to the pastoralist populations of northern Kenya and southern Ethiopia and identified catastrophic herd loss risk due to major droughts, as the main source of vulnerability facing pastoralists in the region. He further noted that standard responses to drought such as; food aid, cash aid and post-drought restocking are often slow, insufficient and expensive, thus signifying development impacts of effective drought risk reduction technologies (such as insurance).

His presentation went on to clarify how IBLI varies from traditional insurance, in that it does not cover against individual losses, but rather, insures an “index” measure that is strongly correlated with individual losses, such as; rainfall, area average yield and remotely sensed vegetation index. It was further noted that the sustainability of index insurance requires a precise contract design, evidence of value and impact as well low cost and efficient delivery. It was reported that IBLI has succeeded in ensuring all these requirements are met. This presentation also served to highlight the criticality of policy support in enhancing uptake of index insurance. The role of partnerships was also underscored as a critical success factor of IBLI so far. The final remarks from the presenter called for partners to give their support and join the efforts, especially where there is momentum to scale up IBLI.

One of the main objectives of the policy dialogue workshop was to set the stage for a coordinated initiative for scaling index-insurance in Ethiopia and developing a related road-map. It was envisioned that one of the major avenues through which this objective would be met, was sharing of experiences from IBLI. As such, participants were very keen to hear about the implementation of IBLI in Kenya; which has had a good measure of success.

Richard Kyuma, coordinator of the Kenya Livestock Insurance Program (KLIP), delivered an in-depth presentation covering the KLIP project design, the progress and achievements, lessons learned as well as challenges encountered along the way. He described KLIP as a partnership between the government of Kenya, World Bank, ILRI and private insurance companies. The program is implemented by the State Department of Livestock with the World Bank and ILRI providing technical support. Private insurance companies provide insurance cover and payouts to beneficiaries. In providing the justification for livestock insurance, he mentioned that Kenya is vulnerable to frequent and extremely expensive natural disasters; with a high frequency of drought (every 2–4 years). Between 2008 and 2011, total drought losses to Kenyan economy amounted to KShs 968.6 billion and led to a reduction of GDP by 2.8% each year. It was further highlighted that 72% of this loss is related to livestock; with severe droughts leading to approximately 20% mortality of livestock. As such, it was important for the government to find a way of sustaining livelihoods as opposed to paying for losses. Kyuma described the main objectives of KLIP as follows;



- “to build the resilience of vulnerable pastoralists in the Arid and Semi-Arid Lands (ASALs) against the consequences of drought through the provision of index-based livestock insurance services
- to build capacities of the pastoral communities and stakeholders on the use of insurance for the reduction of weather related risks and rebuilding of livelihood support systems,
- to increase public-private partnerships (PPP) in the provision of index-based livestock insurance to the vulnerable pastoralists whose livelihoods are dependent on livestock. KLIP will endeavor to support private sector to provide insurance services in the ASAL’s through innovative subsidy support mechanisms and use of county extension delivery systems to enhance awareness on insurance.”

This presentation highlighted the critical role that KLIP is playing by reaching pastoralists and supporting them at their most vulnerable times. It was also emphasized that the most vulnerable populations were benefiting from payouts, with the mobile money transfer platform (M-Pesa), being underscored as an effective payment system. Ensuring efficient payouts to pastoralists during drought, through mobile transfers and bank accounts is a key aspect of index-based livestock insurance. There is also need to streamline payouts since the effectiveness of payouts is a measure of how the KLIP program achieves its objectives.

One of the major highlights from this presentation was the fact that insurance companies are the carriers of the risk, since they operate business models. It was noted that this must be appreciated in order to create a balance between achieving a development agenda and ensuring the insurance companies also stay in business. Another critical issue highlighted as a success factor for KLIP in Kenya, is the engagement of all relevant players to ensure the models work. It was noted that there is government good will from the national level, expressed through their investment in premiums. However, the county governments are also being encouraged to support this initiative through budget allocation at their level. It was also noted that 75% of the government funds goes to premiums, so there is need to begin to channel funds towards marketing, capacity building and awareness creation. Sustainability has also been a key issue for KLIP and going forward, this will be achieved through the development of partial subsidies and purely commercial products. There is need however, for continuous research for product fitness; for instance, to address losses that come through other factors such as floods.

The KLIP model was also described as a functional Public Private Partnership (PPP), with the national and county governments as well as the private insurance companies each playing their roles effectively. Some of the challenges faced in the implementation of KLIP were also highlighted, among them being; lack of adequate awareness and capacity building about livestock insurance, manual management of beneficiary data during the registration process and high premiums.

Overall this presentation demonstrated the role of livestock insurance in building resilience and promoting PPP. The presenter also expressed optimism that the challenges encountered can be addressed with time, especially with engagement of all the stakeholders.

This presentation further spurred comments and discussions from participants. Some of the key issues emerging from this discussion included the concern that the insurance companies are making losses because of large payouts. It was however noted that the insurance business operates on the law of numbers is what keeps the insurance industry afloat and that the drought cycles are clear making the

risk covered periodical. However, the need to engage more to discuss possible scenarios in case of protracted drought seasons was highlighted.

It was also noted that the identification of beneficiaries needs to be a participatory process which is done openly, led by community leaders.

The third presentation for this session was delivered by Masresha Taye, IBLI Ethiopia program coordinator, and took participants through the experience of implementing the IBLI pilot in Ethiopia. In giving the context and motivation for IBLI in Ethiopia he described the centrality of livestock to pastoralists' in Borana as the main productive asset. He stated that over 300,000 livestock deaths due to drought, were recorded in July 2011 in the Borana region.

According to this presentation, IBLI was launched in August 2012 in Borana and was designed to compensate pastoralists against drought-related livestock losses. This presentation described one of the key lessons learned during the implementation of the pilot i.e the need for a precise contract design which requires thorough index construction, risk profiling and rigorous research. The presenter also highlighted the need to improve financial literacy and capacity of agents. There was also need to catalyze demand through creative and blended learning materials. This presentation also echoed previous ones, by emphasizing the role of ICT in implementation of IBLI in Ethiopia. There was need to leverage technology to minimize cost of delivering the IBLI product through digital sales services, index-announcements and information dissemination. The presenter also noted that there are the challenges in implementing IBLI in Afar region since the area is often under consistent drought conditions. He however noted that this does not mean that Afar is unsuitable for IBLI but rather, there is need for very rigorous research to be used to design any intervention in the region. Research for development was also highlighted as critical in influencing policy and rallying support from the private sector as well as other development actors.

## Commercializing index-insurance: views from the private sector

The policy dialogue was also attended by representatives from the private sector, in this case stakeholders from insurance companies who also had an opportunity to share insights on their experiences. Asfaw Benti, Chief Executive Officer of Oromia Insurance Company (OIC) and Solomon Zegeye of Nyala Insurance were on hand to give presentations.

In his presentation, Asfaw Benti stated that it is critical to engage pastoralists during rainy seasons when the grass is green, to allow them to invest in asset protection at that time. He indicated that OIC has continued to increase slowly but steadily in terms of insurance premiums received and this shows that there is great potential in livestock insurance. He also noted that, though not a sustainable measure, subsidies are critical in jumpstarting the insurance process in Ethiopia. This is because the pastoralists have little or no awareness of the benefits of livestock insurance. He strongly pointed out that the intervention of government is critical as government can support in extension work, client registration and provision of subsidies. He also called upon insurance companies to discharge their Corporate Social Responsibility (CSR) through livestock insurance and other micro-insurance products. Discussions arising from this presentation revealed the criticality of awareness creation in providing information to pastoralists to ensure demand creation for IBLI.

Solomon Zegeye, shared the experience of Nyala Insurance in implementing IBLI. His presentation highlighted key lessons learned such as; the need to bundle micro-insurance with credit to drive uptake,

the criticality of using technology to achieve efficiency in processes such as registration and claim notification, and the need to enhance products by including additional risks such as floods, snake bites, electrocution and death during, to existing covers based on assessment of the risk.

## Agricultural insurance in Ethiopia: insights from development actors

The final segment of presentations featured other key development actors who shared critical insights on agricultural insurance in Ethiopia. In his presentation on the experience of implementing index-based crop insurance, Hailemeleket Teklegiorgis, Director of Rural Financial Services, Ethiopian Agricultural Transformation Agency (ATA), reiterated that it is difficult to sell agricultural insurance on its own. It needs to be bundled with other products. He highlighted that the government, in some of its key strategic documents has recognized the value of insurance for both ensuring that smallholder farmers and herders are climate resilient and their incentive to invest is protected and encouraged, but that there have not been any instruments or active process to ensure this strategy is mainstreamed into policy. He emphasized that it is high time to invest in a policy process to create the institutional environment needed to execute this strategy.

He also noted that the Public Private Partnership (PPP) model has been effective in managing agricultural insurance. His recommendations for moving the agricultural insurance agenda forwarded included; the need to create an enabling environment and to improve the regulatory environment, the need to assign a focal institution that leads agricultural insurance in Ethiopia and the need to set up both a national agricultural insurance pool and an agricultural insurance guarantee fund.

This presentation spurred a debate in which participants delved deeper into the modalities of a national focal institution to lead agricultural insurance. It was noted that the lack of such an institution is a major gap impeding the uptake of agricultural insurance and specifically livestock insurance in Ethiopia. It was further indicated that such an institution (focal point for agricultural insurance), is best placed within the Ministry of Agriculture, seeing that agricultural insurance targets small holder farmers.

The establishment of a national body to coordinate the crop and livestock insurance placed within the national government was hailed as one of the key lessons that Ethiopia can learn from the Kenya experience. It was envisioned that this would ensure sustainable development of insurance programs. Kenya has a KLIP coordinator who sits within the State Department of Livestock in the Ministry of Agriculture.

In the same session, Rupak Manvatkar, team leader for Climate Solutions at the United Nations World Food Programme (WFP), also gave a presentation on climate risk reduction. In highlighting social protection as a vehicle for drought risk management, he highlighted the fact that insurance can support adaptation and risk management through quantifying risk for policy analysis, improving risk awareness and incentivizing risk reduction. He emphasized that the first step to introducing insurance to farmers is communication, which ensures expectations are managed and correct information relayed during sign-up for insurance programs. Some of the lessons learned that he shared include; the need for business to be lucrative enough for the private sector, the criticality of effective beneficiary targeting and again, the criticality of technology. He reiterated the need for stakeholders to come together to create platforms where various insurance models can be discussed.

An interesting insight shared from his presentation was on how financial inclusion has emerged as an added benefit to WFP's insurance program. He explained that the beneficiaries who have been

registered as bank account holders for the purposes of insurance payouts are now using bank accounts for more than just insurance pay outs. According to him, this demonstrates the need for development actors to know their beneficiaries and appreciate that they (the beneficiaries) understand their livelihoods the best.

Some of the discussions arising from this presentation included a suggestion for WFP to incorporate (depending on agro-climatic zones) insurance on excessive rainfall, pests and diseases. It was noted that it would be a plus to integrate these aspects into the insurance models as it could improve uptake in Tigray and Amhara region. Another aspect that came up was a question around WFPs process of moving towards sustainability which was further elaborated. According to the presenter, the first step to a successful graduation model is to target well. For instance, targeting a population that needs to rely on aid for microinsurance would not be prudent. Micro insurance needs to be targeted to populations that are a bit well off and that can seasonally afford to pay for premiums. The model being implemented by WFP has beneficiaries paying for their premiums through labour. Some reinforcing components such as savings and credit facilities that can boost insurance premium payments are also being added on. This is an example of an integrated model. It was noted that providing opportunities for the beneficiaries to increase their income level is critical seeing that willingness to pay comes from a perceived added value by the beneficiaries.

## Going forward: towards sustainable agricultural index-insurance

The final and perhaps the most critical session of the policy dialogue was designed to chart a way forward in establishing a sustainable agricultural index-insurance in Ethiopia. Structured as a panel discussion, this session sought to single out key recommendations to inform the structure of a national level forum to coordinate agricultural insurance in Ethiopia. Panel discussants were; Andrew Mude, Richard Kyalo, Hailemeleket Teklegiorgis and Belay Tulu.

*Below is a summary of insights from each of the panelists;*

Hailemeleket Teklegiorgis - Director of rural financial services, Ethiopian Agricultural Transformation Agency

- The ministry of Agriculture is the rightful institution to lead efforts on agricultural insurance. A policy document should be developed and mechanisms put in place with leadership from a national steering committee. This steering committee should drive efforts to scale up livestock and crop insurance.
- The experiences in Kenya and Ghana can be harnessed and a consultant hired to drive this agenda. The most critical issue is to have the Ministry of Agriculture take the lead on these efforts.

Belay Tulu - Director of insurance supervision, National Bank of Ethiopia

- Insurance penetration is very low and a significant part of the population is living in poor conditions. There is need for these people to cope with various risks and micro insurance is a major opportunity for financial inclusion.
- There is need for capacity in designing and distributing micro insurance products. This requires a very specialized approach. Major knowledge and skill gaps exist in the main insurance sector, and more so in the micro-insurance sector. The National Bank of Ethiopia (NBE) is playing its

regulatory role, seeks to address these gaps and facilitate the development of the insurance sector.

- As a national regulator, the NBE plays a key role in the protection of policy holders and in ensuring that the insurance market is growing competitively.
- The NBE has a limited capacity and this signals the need to reevaluate where insurance matters are housed within the government. There is also dire need for a training and capacity building initiative within the NBE.

Richard Kyuma - KLIP coordinator

- Government involvement has been key in both the Kenya Crop Insurance scheme and Kenya Livestock Insurance scheme. The two programs are strongly anchored within government structures.
- The KLIP scheme started off with 100% subsidy while the crops insurance scheme, started with 50% subsidy from the government and 50% paid by farmers. While the crop scheme has encountered huge logistical costs, the partial subsidy is promising large numbers, a component that the livestock scheme can leverage.
- Government involvement in any development initiative almost always spurs a lot of interest from other development partners. This has been true for the case in Kenya and though these partners may not be keen to support premium subsidies, they have expressed interest in supporting program operations.
- In the case of Kenya, seven insurance companies have come together to offer both crop and livestock insurance and this allows them to absorb risks by pooling together. However, caution must be employed to ensure market competition is not stifled by the creation of monopolies. Strategies must be devised to ensure that this does not happen.
- Facultative reinsurance arrangements are being sought to ensure insurance companies can have one representative dealing with KLIP, while they engage each other through insurance partnerships.
- In highlighting the PPP framework of KLIP, Kyuma indicated some of the important roles that the public sector was responsible for, which could inform part of the ToR for a national agricultural insurance taskforce). These included; creation of conducive policy and business environment, coordination, resource mobilization, capacity building of stakeholders and development of support infrastructure.

Andrew Mude - IBLI program lead

- An important insight that would guide scaling in Ethiopia is the recognition that what really catalyzed the work on index insurance in Kenya was concrete involvement by the government and its lead role in coordinating KLIP.
- There is a clear need for a leader and a champion to coordinate the uptake of livestock insurance in Ethiopia. The ownership of this process by the Ministry of Agriculture in Kenya has been a critical success factor.
- The previous state minister of Livestock in Ethiopia has been a key focal point within the process and there is now need to provide support to the leadership of the new government minister as he takes up this mandate in his docket.
- In Kenya, a major inflection point in the process was the establishment of an agricultural insurance task force, by the government. The Terms of Reference (ToR) for this taskforce was developed by a small group of key stakeholders, and the implementation of the same was overseen by a

dedicated consultant, hired for one year. This galvanized commitment from various development partners to move the agenda forward.

The panel discussion elicited an array of feedback from participants with several key issues emerging. Comments from the CEO of OIC and from the Nyala Insurance representative, highlighted broader structural deficiencies. Key amongst these was a recognition that many of the issues that constrained the development of agricultural insurance and indeed the insurance industry in general, could be more effectively handled if the role of insurance regulator was removed from the National Bank and placed within its own dedicated agency and/or authority. An independent insurance regulatory authority – common practice in much of the world – would then be able to offer concrete direction and recommendations on developing a conducive policy environment for agricultural insurance. It was also reiterated that the development of the Insurance sector in Ethiopia also needs an institution dedicated to training and capacity building that would ensure the micro-insurance sector is vibrant.

The end of this fruitful discussion session paved way for Michael Hailu, Director of CTA, to share his final thoughts and commitments from the policy dialogue. In his address, he expressed CTA's commitment to support the process by continuing to collaborate with ILRI and other partners to ensure that there is impact. He expressed CTA's commitment to offer broader support in moving the agenda forward through; a regional process of cross-border learning, and even a follow-up workshop to chart a way forward. He also vocalized CTA's willingness to offer support in availing external resource persons to help the Ministry of Agriculture in its intention to create a coordinating mechanism for establishing supportive regulation. Further, he reiterated the need for all stakeholders to engage in concrete action to achieve impact for small holder farmers and herders.

# Summary of key messages and recommendations

- Livestock are critical to the pastoralist populations of northern Kenya and southern Ethiopia and are a key asset to help communities manage shocks and stressors. As such, there is need for resilience building to reduce vulnerability and enhance processes of recovery during and after droughts.
- Drought risk reduction technologies (such as insurance) are an effective and cost-efficient tool for enhancing pastoralists' resilience to drought, minimizing drought-related losses, and increasing investments in production. Index-based livestock insurance can allow government to proactively, and more cost-efficiently, respond to severe drought risks.
- An enabling policy and regulatory environment is critical in enabling uptake of index insurance in Ethiopia. The government, in some of its key strategic documents has recognized the value of insurance for ensuring that smallholder farmers and herders are climate resilient. However, there isn't an instrument or an active process to ensure this strategy is mainstreamed into policy. The lack of a specific institution mandated with coordination of agricultural insurance is a major gap impeding the uptake of agricultural insurance and specifically livestock insurance in Ethiopia. There is also dire need of leadership and coordination of agricultural insurance issues and the National Bank of Ethiopia (NBE) is committed to providing the support required as a regulator. The time is ripe to invest in a policy process that creates the environment needed to scale-up agricultural insurance in Ethiopia.
- There is need to establish a national body placed within the national government, as a focal institution to coordinate the development and scaling up of crop and livestock insurance programs. The Ministry of Agriculture is the rightful institution to lead efforts on agricultural insurance as this will ensure sustainable development of insurance programs. A policy document should be developed, and mechanisms put in place with leadership from a national steering committee on agricultural insurance. There is also need to set up both a national agricultural insurance pool and an agricultural insurance guarantee fund in Ethiopia.
- An empowered coordinator is also needed to take leadership of the institution or taskforce development to oversee agricultural insurance matters in the country.
- Government involvement in agricultural insurance will spur a lot of interest from other development partners. The intervention of government is critical as government can support in extension work, client registration and provision of subsidies. Though not a sustainable measure, subsidies are critical in jumpstarting the insurance process in Ethiopia.
- The role of partnerships is a critical success factor in implementation of IBLI. Successful scale-up of IBLI in Ethiopia calls for a developed and functional Public Private Partnership (PPP) model, where all government sectors and the private insurance companies each play their roles effectively.

- Implementation of IBLI requires an integrated approach, insurance alone is not enough. Insurance needs to be bundled with other services such as micro-credit to increase uptake. Insurance products could also be enhanced to include additional risks such as floods.
- The place of ICT is key in making insurance services available for smaller holder producers and pastoralists. Leveraging technology can minimize cost of delivering insurance products through; efficient beneficiary registration, digital sales services, insurance payouts (mobile money transfers), and information dissemination.
- Capacity building of all the players engaged in the development of livestock insurance is critical in ensuring its success. There is need for awareness creation and marketing to ensure pastoralists understand insurance products.



# Annex

## Workshop agenda

### Policy dialogue workshop on scaling livestock index-insurance in Ethiopia July 10, 2018 ILRI Addis Campus, Ethiopia

Time	Theme/session	Speaker/Presenter
8:30-9:00am	<b>Registration</b>	
9:00 - 9:30am	<b>Welcome</b>	Siboniso Moyo, DG's Representative in Ethiopia, ILRI Michael Hailu, Director CTA
	<b>Opening Remarks</b>	Prof. Fekadu, State Minister, Ministry of Agriculture and Livestock Development
9:30 -10:30am	<b>Setting the Scene</b>	
	Building Resilience in the Drylands	Polly Ericksen, Program Leader, Sustainable Livestock Systems (SLS), ILRI
	Market based solutions to resilience building (CLIMARK) and the role of Index Insurance	Sabdiyo Dido Bashuna, CTA Regional Program Leader
	Index-Based Livestock Insurance: Toward Sustainable Drought Risk Management	Andrew Mude, IBLI Program Leader, ILRI
10:30 – 11:00am	<b>Coffee/Tea Break (Including group photo)</b>	
11:00 -11:45am	<b>Index-Based Livestock Insurance: Experience from Kenya and Ethiopia</b>	
	Lessons from Kenyan Livestock Insurance Program (KLIP)	Richard Kyuma, KLIP Program Coordinator
	IBLI in Ethiopia: from Piloting to Scaling	Masresha Taye, Coordinator, IBLI Ethiopia Program, ILRI
11:45 – 12:30pm	<b>Commercializing Index-Insurance: Views from the Private sector</b>	
	• Experiences in Index-Insurance implementation.	Asfaw Banti, CEO, Oromia Insurance SC
	• Key insights and requirements for private sector investments	Solomon Zegeye, Nyala Insurance SC
12:30-1:30pm	<b>Networking Lunch - ILRI lunch hall</b>	
1:30-2:15pm	<b>Agricultural Insurance in Ethiopia: Insights from Development Actors</b>	
	• Role of agricultural insurance in driving smallholder agriculture	Hailemeleket Teklegiorgis, Director of Rural Financial Services, Ethiopian Agricultural Transformation Agency
	• Policy-case for investing in agricultural insurance	Rupak Manvatkar, Team Lead – Climate Solutions, WFP
2:15-3:25pm	• Drought-insurance as a social protection and resilience-building tool	
	<b>Going forward: towards Sustainable Agricultural Index-Insurance</b>	Dr. Gebregziabher – State Minister, Ministry of Agriculture and Livestock Development Discussants: Andrew, Richard, Hailemeleket
3:25 - 3:45pm	<b>Tea break – end of the workshop</b>	

