



Experience on the implementation of index based crop insurance in Ethiopia

14th International Microinsurance Conference - GIIF Panel

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Lusaka, Zambia

Mandates of Agricultural Transformation Agency (ATA)

The ATA is a strategy and delivery oriented government agency created to help accelerate the growth and transformation of Ethiopia's agriculture sector.

Identify Systemic Constraints

To identify systemic constraints of agricultural development, through conducting studies, and recommend solutions in order to ensure sustainability and structural transformation

Support Implementation

To support implementation of recommended solutions and the establishment of strong linkages among agricultural and related institutions and projects in order to ensure the effectiveness of agricultural development activities

Manage Projects

To manage and lead the implementation of specific solutions as projects.

RFS Program ongoing activities

- 1 Improve smallholder farmers access to input credit through implementation and scale up of the Input voucher sales system (IVS)**
- 2 Strengthen the capacity of RuSACCOs to improve smallholder farmers access to financial institutions**
- 3 Design and implement Microinsurance products**

Vegetation Index Crop Insurance

Vegetation Index Crop Insurance Project

Objective

- to improve resilience of small holder farmers depending on rain-fed agriculture against weather risks through promoting crop Insurance products
- To provide innovative and scalable micro insurance services to SHF to reduce their exposure to climate risks by protecting their assets and providing them access to credit

Rationale

- weather related risks pose a challenge to ensure sustainable development and economic growth in the country
- Reduce the millions of dollars spending in disaster relief by government and development partners
- Create an alternative to agricultural risk management
- Create an alternative to piloted micro insurance initiatives in the country
- Policy supports the introduction of agricultural insurance to increase production and productivity

Public Private Partnership (PPP)

PPP involves an agreement between a public sector authority and a private party(s), in which the private party offers a public service or project and provides financial, technical and operational inputs and shares risks in the project.

Public Sector

Demands(need) services for larger public welfare

- Intends to offer effective and efficient rural micro insurance coverage to farmers against climatic risks and requires knowledge & technology inputs.

Private Sector

Supplies services

- Private entities have knowledge, technology, effective and efficient services to offer rural microinsurance services to the farmers in Ethiopia starting with agriculture micro insurance product.

Partners

- Agricultural Transformation Agency; National Meteorology Agency; Ethiopian Insurance Corporation; Oromia Insurance company; Nyala Insurance Company; Kifiya Financial Technology

Responsibilities of Strategic Partners

Agricultural transformation Agency

- Government Strategic lead for agricultural insurance as part of the national agricultural policy.
- Provide programmatic support to the rural microinsurance initiative and aligning it with the input credit programme.
- Support the integration or facilitation of rural microinsurance activities with MFIs, RuSACCOs and/or other local government bodies in the input credit programme including capacity building and client advocacy efforts.

National Meteorology Agency

- GEONETCast system and toolbox management.
- Authenticated NDVI data maintenance and map production (10-day interval and for land grids of 1km by 1 km).
- Weather forecast models data dissemination.
- Provision of Location specific weather alerts.
- Index Announcement.

Responsibilities of Strategic Partners

Ethiopian Insurance Corporation (EIC); Oromia Insurance company (OIC); Nyala Insurance company (NIC)

- Develop, underwrite and commercialise rural microinsurance products.
- Arranges reinsurance cover for the product.
- Claims management of the product
- Manage distribution and delivery channels.
- Promotion, client sensitisation and awareness

Kifiya Financial Technology (KFT)

- Develop and manage the online microinsurance technology platform and Digital Financial Services (DFS) platform for delivery of rural microinsurance.
- Providing processed and authenticated NDVI data in collaboration with NMA for rural microinsurance.
- Development of innovative microinsurance products and process designing and partnering with EIC to commercialize the product
- Building capacity of stakeholders involved and providing marketing support.

Governance of the Partnerships

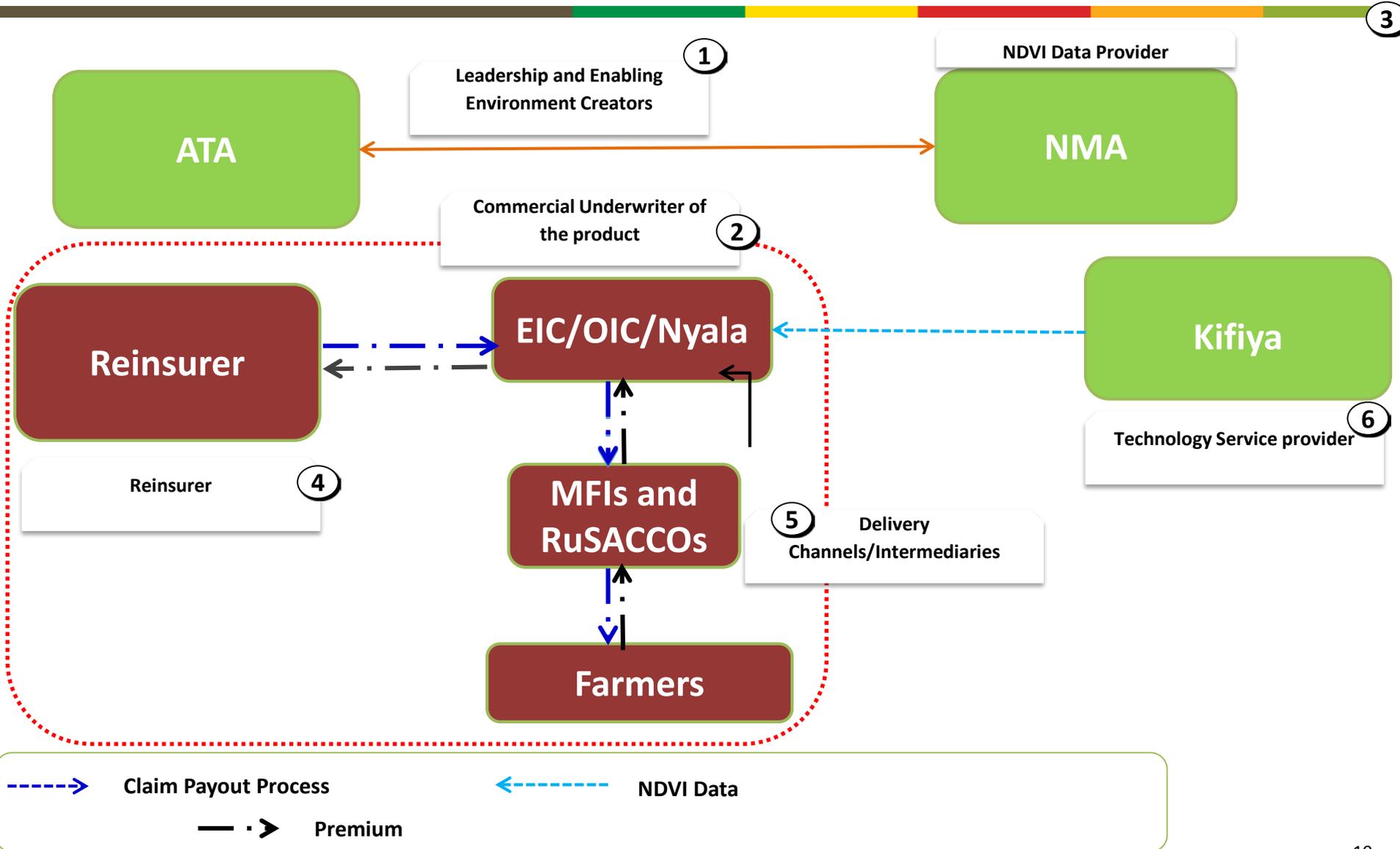
Executive Steering Committee

- **Members** : ATA , KFT, EIC,NIC, NMA
- **Roles and Responsibilities**
 - provide strategic guidance, resolution of issues and concerns, ensure proper co-ordination between different stakeholders
 - progress monitoring and review of the project and overall responsibility of ensuring project success
 - Meets bi-weekly** to review the progress of the project and take requisite decisions

Micro insurance Working Group

- **Members:** representatives of, ATA, KFT, EIC, OIC, NIC
- **Roles and Responsibilities**
 - Successful implementation of project activities as per the agreed project plan
 - Completion of scheduled activities as per the project plan
 - Project documentation
 - Identification of project risk and its mitigation and resolution
 - Meets Weekly

Vegetation Index Crop Insurance Product flow



Progress to date

2016					
Insurer	Policy sold	Sum Insured	Premium	# Payout	Payout amount
OIC	4,079	2,916,000	437,200	3,821	560,000
EIC	407	1,451,250	174,150	189	357,665
Sub Total	4,486	4,367,250	611,350	4010	917,665
2017					
OIC	2,308	1,314,657	197,100	0	0
EIC	32	487,695	14,850	20	49,800
Sub Total	2,340	1,802,352	211,950	20	49,800
2018					
OIC	885	1,476,180	177,000	NA	NA
NISC	24	40,032	4,800	NA	NA
Sub Total	909	1,516,212	181,800		
Total	7,735	7,685,814	1,005,100	4,030	967,465

Lessons Learned



- Farmers understand weather risks and the need for insurance
- Though farmers recognize the need for insurance, the premium has become unaffordable
- The product was single peril while farmers required multi peril
- The index for the pay out correlated with physical field assessments (98%)
- Index insurance as a standalone product difficult to sell; should be bundled with credit and/subsidized by government
- Digital Platform minimized the costs
- Public Private Partnership (PPP) has been effective in managing agricultural insurance.

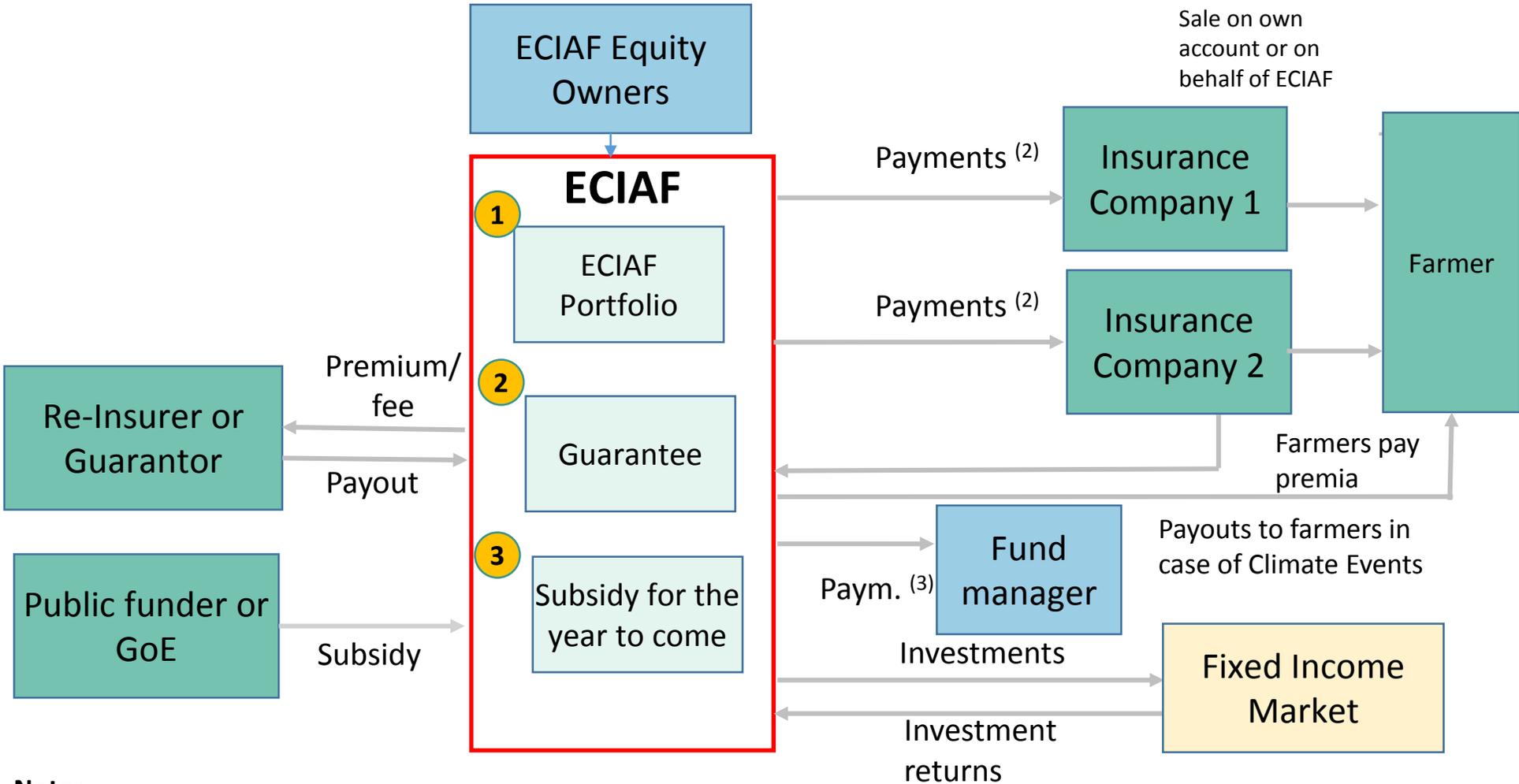
Way Forward



- Redefine insured risks: Include perils such as excessive rainfall; and pests and diseases
- Create National Agricultural Insurance Pool
- Establish and Agricultural Insurance guarantee fund
- Create an institutional frame work for the delivery of microinsurance
- Provide smart subsidy

Collaboration with Global Green Growth Institute

Project Structure



Notes

- (1) Assumes that the portfolio is owned by the Fund, there is one Fund Manager; the Fund is re-insured and receives guarantees and subsidy
- (2) Payments include: i) management fee; ii) variable fee (depending on the number of premia sold); [iii) share of benefits]
- (3) Payments include: i) management fee; ii) performance fee



Innovations to help our country grow