

Towards Sustainable Livestock Insurance for Pastoralists : A case of IBLI

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Africa-Asia Conclave on Loss and Damage Due to Climate Change
Eastland Hotel, Nairobi –26th August 2016



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Context

- ❑ A sizeable constituent
 - Over 50 million pastoralists in Sub-Saharan Africa: over 20 million in the Horn of Africa
 - Estimated contribution to the livestock economy at 40% in the Horn of Africa

- ❑ Centrality of livestock in Northern Kenya and Southern Ethiopia
 - Median pastoralist household holds 100% of their productive assets in livestock
 - Livestock products and sales of livestock are 40% of income for average household



Motivation

- ❑ Vulnerability to livestock losses
 - 75% of livestock losses, among pastoralists, due to drought
 - Catastrophic herd loss due to drought identified as the major source of vulnerability and cause of poverty
 - Between 2008 and 2011 Kenyan economy suffered US\$ 12.1 billion in damages due to drought, over 70% due to livestock losses
- ❑ Standard responses to drought – costly and inefficient
 - Destocking/Restocking – slow, expensive, targeting challenges, inefficiency
 - Food aid – slow, expensive, targeting challenges, foster dependency
 - Cash aid – targeting challenges, fiscal sustainability, not equally effective for all

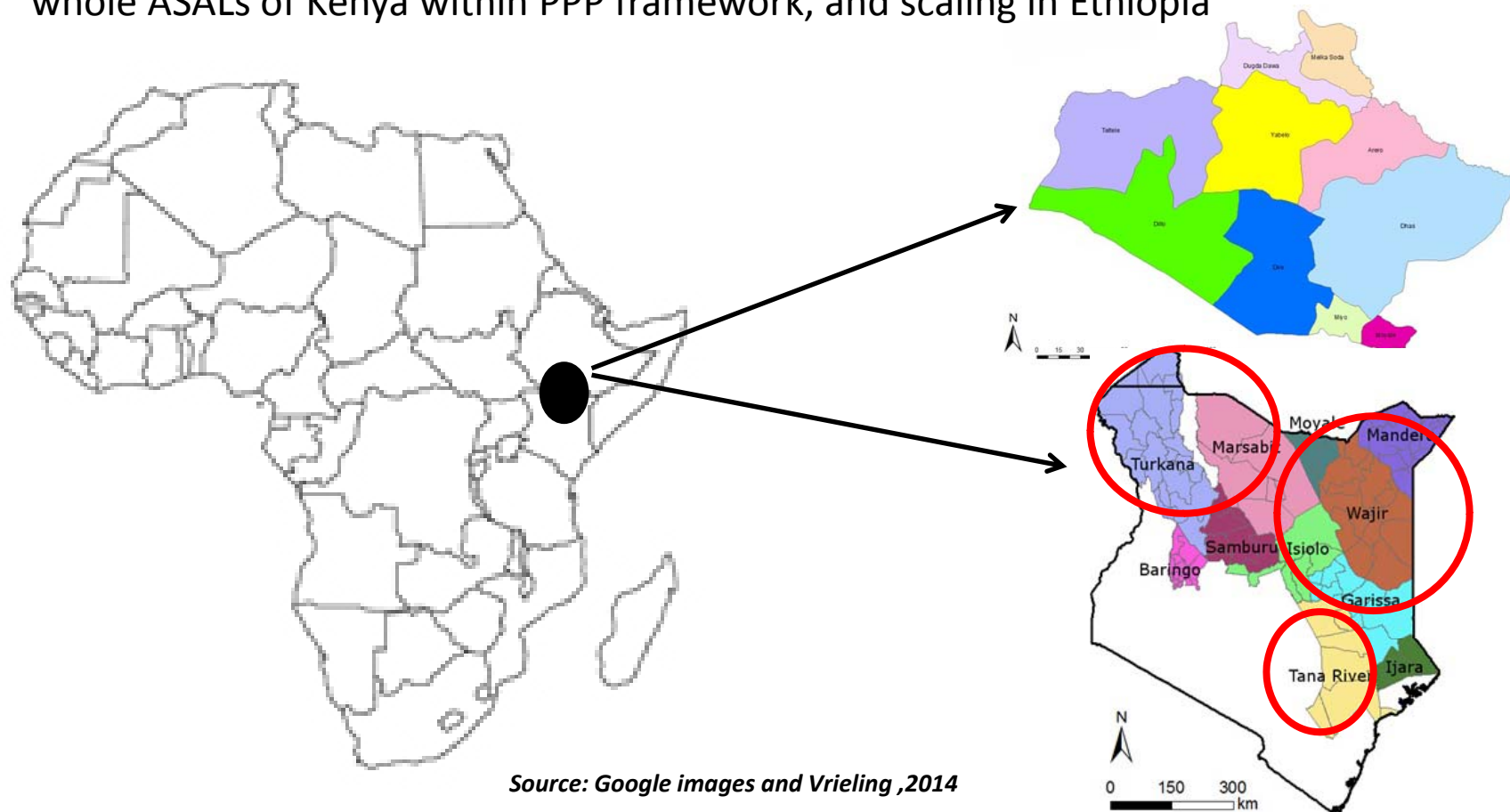
Why Index Based Livestock Insurance

- ❑ Insurance and independent “index” measure strongly correlated with individual loss
 - Better suited to the pastoral production system and risk profile
 - Lower transaction costs, moral hazard issues than conventional insurance
 - ❑ Sustainable Insurance can
 - Prevent downward slide of vulnerable populations
 - Allows focus humanitarian resources on the needy
- ILRI** Crowd-in investment and accumulation by the poor
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Where we are currently working

- ❑ Program launched in 2008 to offer a timely, sustainable, safety net against catastrophic drought shocks on pastoralists.
- ❑ Currently implemented in Northern Kenya and Southern Ethiopia - expanding to the whole ASALs of Kenya within PPP framework, and scaling in Ethiopia



Challenges faced

- ❑ Infrastructure
 - Poor basic infrastructure ,low literacy levels, security issues
- ❑ Understanding and acceptance
 - Penetration of insurance less than 3%
 - Most pastoralists don't clearly understand the basic concepts of IBLI and have liquidity constraints
 - Instances of mis-selling
- ❑ Competing Expectations
 - Partners expectations of commercial sustainability in 2-5 years
- ❑ Capacity Development
 - Non-recurrence of information, remuneration and coordination among underwriters and agents

IBLI Programme Structure

Policy and institutional development

Contract Design

Index construction
Data precision
Drought Index
Impact Assessment

Market and CapDev

Institutional and Technical Capacity
Specialized and customized extension and education tools
Need based research
Supporting a PPP policy environment

Delivery Mechanisms

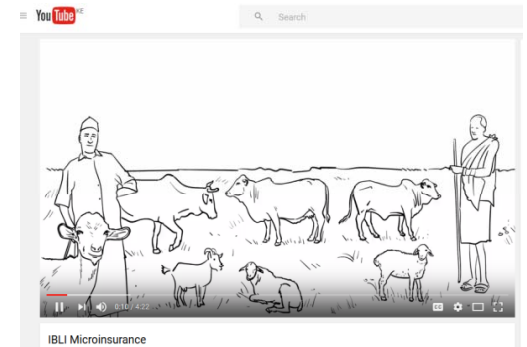
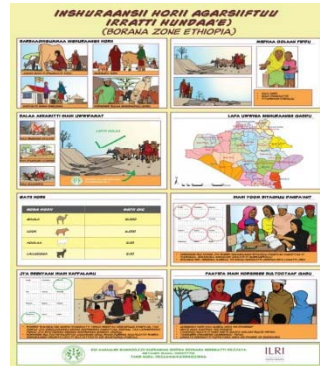
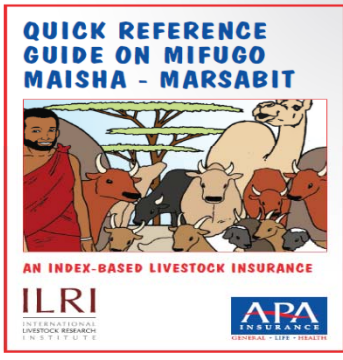
Innovations towards market linkages
Developing tools for monitoring , extension and delivery of essential services
Crowdsourcing and citizen science

Evidence of value and impact



Informed effective demand

How we have overcome challenges

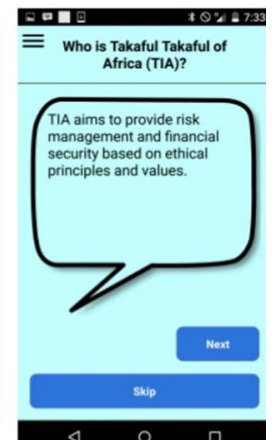
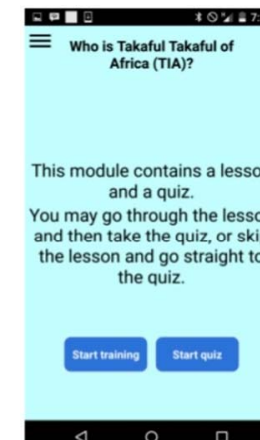
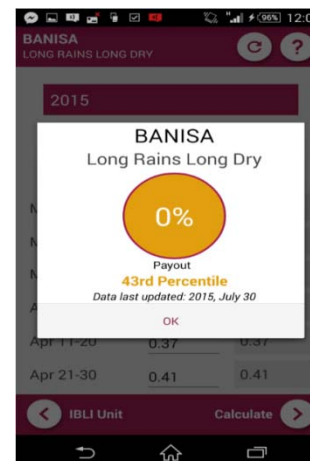
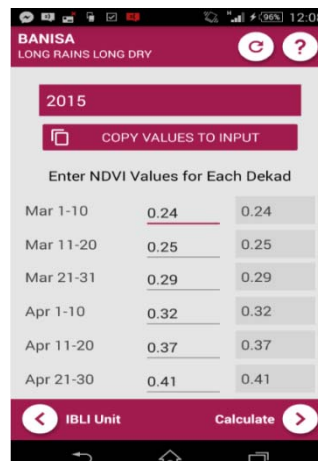
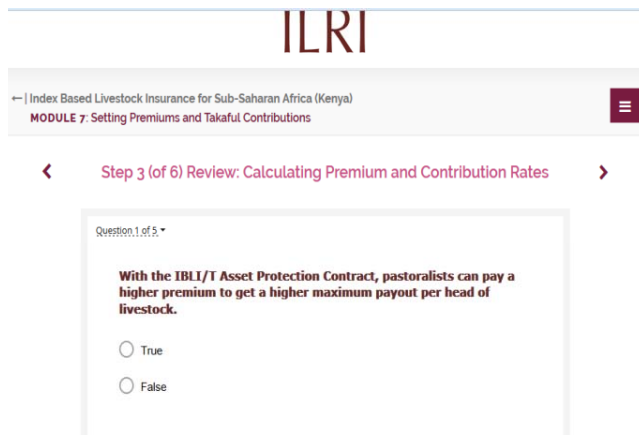
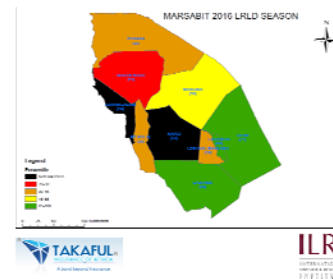


INDEX BASED LIVESTOCK INSURANCE
Index announcement for August 2016

* The IBLI color legend below describes the state of the index in a single and easy to understand format.
* For the August 2016 potential payout period, there will be indemnity payments for only two Divisions in Marsabit County. As for the rest of Divisions index is above the trigger level, so there is no payout.

Color	Description
Green	Good forage availability. Forage is between 65% - 100% percentile of forage conditions area time. This is above normal and stable forage condition.
Yellow	Forage conditions fall between 50% to 65% percentile. Here, the forage situation is around or slightly above normal.
Orange	Forage conditions are between 30% and 50% percentile. The division in question is below long term average but conditions are not yet extreme.
Red	Forage conditions are between 10% - 30% percentile. Drought situation is serious but not yet classified as severe. At this stage, indemnity will have NOT been triggered.
Black	Severe drought conditions. Forage condition are below the 0-10% percentile. Indemnity payment have been triggered.

Index meeting for Marsabit - August 2016



As a result of feedback from communities

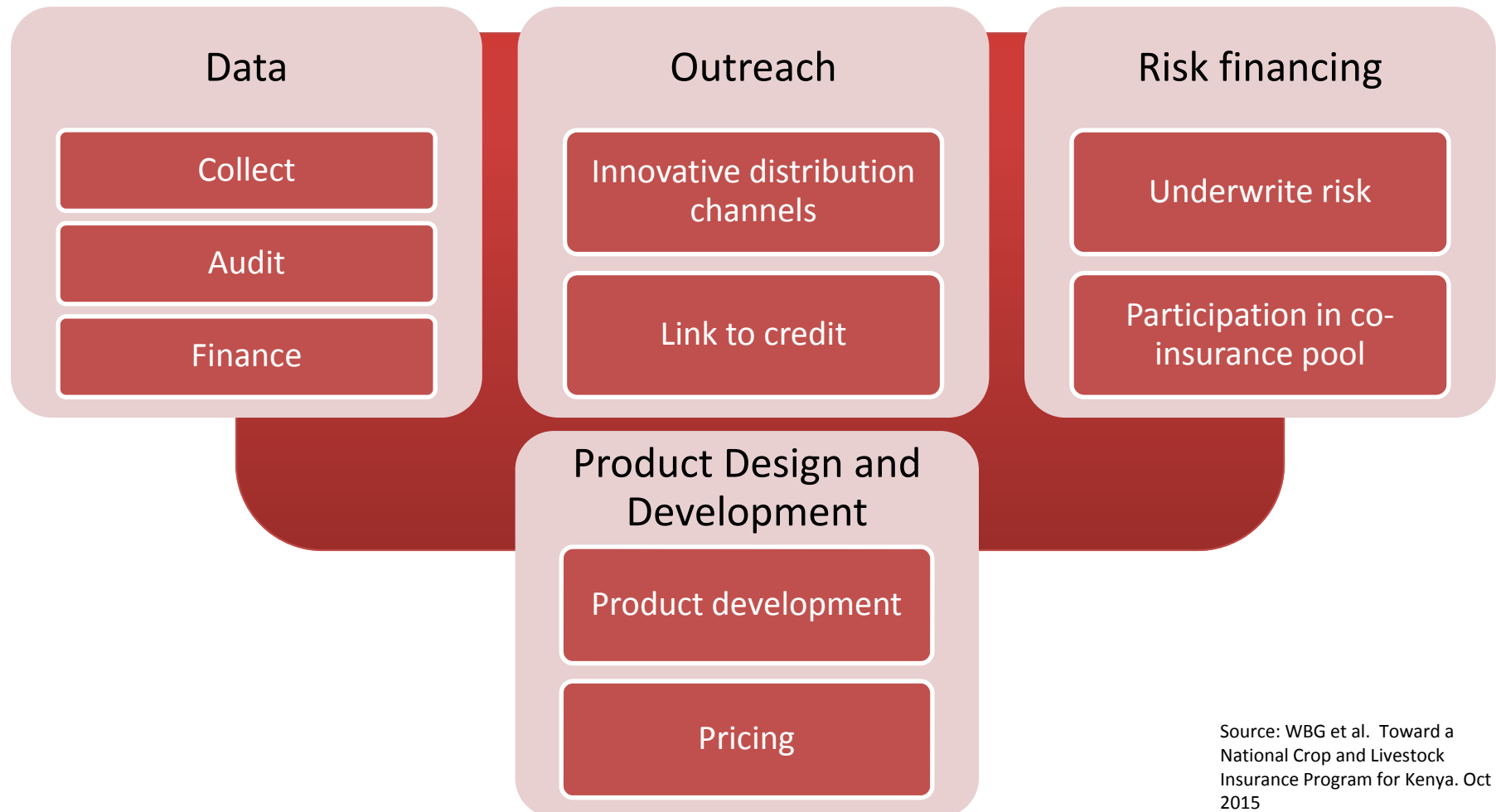


Kenya – As of February 2016: 11,654 contracts sold since 2010

Ethiopia – As of September 2015: 3,909 contracts sold since 2012

Way Ahead for Agriculture Insurance

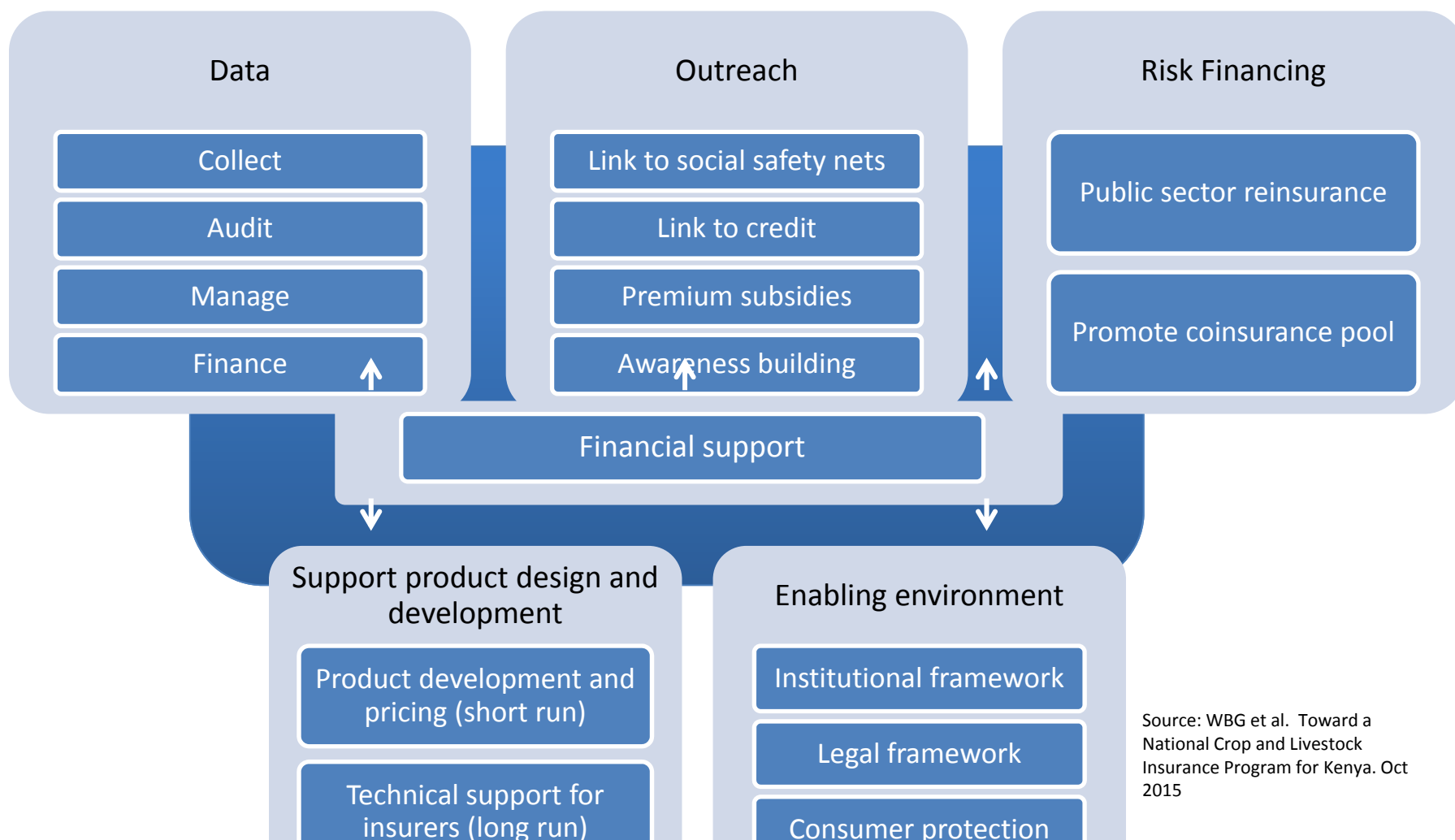
Insurance is most efficient and effectively managed by the private commercial agricultural sector



Source: WBG et al. Toward a National Crop and Livestock Insurance Program for Kenya. Oct 2015

Way Ahead for Agriculture insurance contd...

... but successfully scaled up agricultural insurance programs typically require leadership and targeted support from government



Source: WBG et al. Toward a National Crop and Livestock Insurance Program for Kenya. Oct 2015

THE IBLI PROGRAM IS A COLLABORATIVE EFFORT OF MANY PARTNERS



For more information, visit <http://ibli.ilri.org/>

A cartoon illustration of a man in a white shirt and dark pants, looking confused and holding a leash. He is talking to a large, fluffy dog. The dog is looking back at him with a calm expression. The background is a simple yellow and white pattern.

WHERE
ARE YOU?

Thank you for your attention 😊

Questions and Comments??

I'm coming