De-risking, financial security and safety nets for more resilient and food-secure communities in the Horn of Africa

Frequent droughts, unpredictable rainfall, pest, diseases and conflicts are increasing the livelihood challenges faced by livestock keepers in the Horn of Africa. In 2022 alone, over 8.9 million livestock have been lost across Ethiopia, Somalia, and Kenya, and over 18 million people experienced severe hunger caused by drought and related factors.

Aside from the urgent humanitarian responses that these emergencies trigger, proactive de-risking measures, such as cash transfers, insurance and other formal and informal financial instruments help improve resilience to climate and human-induced shocks.

Social safety nets (SSNs) aim to ensure that individuals maintain a minimum standard even (or especially) during shocks and have been around for many years. According to World Bank data, SSNs have helped 36% of the very poor escape extreme poverty and have reduced poverty gaps by as much as 45%. In the Horn of Africa SSNs have typically been in the form of cash transfers funded by both donors and governments.

While there are good examples of SSNs meeting their objectives, they are also expensive and require constant funding, which is vulnerable to political (dis)interests and shifting priorities of donors. Further, while effective for protecting a target population from specific outcomes, they often cannot provide the sustained levels of support needed to build long-term resilience to shocks much less create the institutional changes that can help vulnerable community members move out of poverty and increase resilience.

Using public funds to support livestock insurance markets is another approach that could complement more conventional cash-based safety nets.

For example, between 2017 and 2022, the Kenya Livestock Insurance Programme (KLIP) purchased livestock insurance from private insurance companies on behalf of 18,000 beneficiaries annually. Nearly USD 6.5 million was paid out by the underwriters to people facing drought.
The argument was that such efforts would directly benefit people covered and it would help private firms overcome many of the fixed costs of developing robust livestock insurance markets in remote pastoral settings.

While insurance is one promising approach for building resilient and food secure communities in the drylands of the Horn of Africa, its role should be to contribute to a larger and multi-faceted strategy. Insurance itself faces many challenges, such as community trust, accessibility and affordability, but, more importantly, it currently only works to address a single peril, of which there are many, and does little to address other structural challenges that pastoralists face.

This mini-dialogue aimed to identify critical challenges faced by communities in the Horn of Africa, highlighting where additional research, learning, and action on ‘de-risking’ could contribute to greater community resilience and food security.

Emerging lessons and action points

Several over-arching issues arose in the discussion:

First, we need to recognize that diverse de-risking instruments serve different purposes and groups – there’s no one size fits all.

Second, let’s also take a holistic approach, working with and building on the strengths of formal as well as informal de-risking mechanisms.

Third, not everyone is convinced that insurance truly benefits the poorest and most vulnerable, so we need to interrogate whether livestock insurance or insurance in general qualifies as a social safety net, how it integrates with other instruments, and what critical factors drive uptake of these products.

Fourth, we need to target and coordinating de-risking interventions to reach different groups, paying attention to gender and other characteristics and recognizing opportunities and limitations of each approach.

Pastoralists are diverse and they face many different types of shocks.

In thinking about the roles of cash transfers, insurance and other tools available to support pastoralists, it is important to think critically about the strengths and weaknesses of the various tools, the aims of public spending to support pastoralists, and which circumstances should be prioritized.

The Hunger Safety Net Program (HSNP) in Kenya and the Production Safety Net Program (PSNP) in Ethiopia are both examples of SSNs that target the poorest, helping clients meet their basic needs and build assets. Insurance could potentially be useful to help protect any gains made by households, as a tool for SSNs, or otherwise.

While insurance and cash-based SSNs appear to be complementary, in practice, combining the two can be challenging. Using multiple tools can require sophisticated targeting that relies on information that is rarely available and is expensive to collect comprehensively.

These tools must not only assess poverty status but must also consider carefully how interventions may impact households and household members differently. For SSNs to responsibly and effectively integrate livestock insurance into their programming, we need to understand better who is benefiting and how to help those that are not.

Recognizing that the various instruments and products target and help different target groups, can we better identify which wealth groups they reach, and which are missed? How is equity of benefits related to wealth and gender? How do we ensure that we are targeting the right people?
Questions for research and practice

• Complementarity among instruments is very important. So far, the different mechanisms (index insurance, safety nets, cash transfers, resilience interventions, etc) have not been looked at together. How can diverse risk instruments best be combined to benefit various target groups?

• There are currently many different active programs aiming to help pastoralists meet their basic needs and/or build resilience; how can these programs be coordinated within SSNs to ensure that they are effectively and efficiently meeting their objectives?

• Pastoralists practice diverse, traditional and informal strategies to maintain their livelihoods. Often overlooked by formal actors in government, what impacts do those strategies have on their dryland environments, and can we better understand and combine these with more formal mechanisms of safety nets, insurance and other de-risking processes?

• Insurance is still a new phenomenon. Can accurate and valuable insurance products be developed to cover other important perils that pastoralists face? Can we more effectively target various groups, and can insurance be made more sustainable without relying on donors or other subsidies for premium pay outs?

Conclusions

There is a diverse set of tools available to those aiming to support the food and financial security of communities in the drylands. Such diversity is an opportunity to meet the needs of different populations efficiently but also requires careful attention and capacity in targeting and implementation. Furthermore, advances are needed both in developing new tools and in our understanding how to best layer the various tools to protect diverse households.
In 2022, the Jameel Observatory for Food Security Early Action and partners convened several virtual mini dialogues on priority topics related to the Observatory vision: vulnerable pastoral and agro-pastoral communities in target regions of East Africa are more prepared for and resilient to the effects of evolving environmental shocks and stresses on their food security and nutrition. The aim was to identify priority research, learning and other actions that the Observatory and a wider community of collaborators can tackle.

The mini dialogues followed a similar process, starting with a short framing presentation, group discussion, then short plenary stocktaking. This dialogue on 7 December 2022 was championed by Rupsha Banerjee (ILRI). This brief was finalized with inputs from participants by Nathan Jensen of the University of Edinburgh.

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The Jameel Observatory for Food Security Early Action is an international partnership led by the University of Edinburgh collaborating with the International Livestock Research Institute (ILRI), Save the Children, the Abdul Latif Jameel Poverty Action Lab (J-PAL) and Community Jameel.

Based at ILRI in Nairobi, Kenya, we combine the local knowledge and concerns of communities facing on-the-ground threats of hunger with innovations in data science and humanitarian action; teaming up to devise solutions that can predict, prepare for, and overcome climate-related food security and malnutrition challenges in dryland areas.  

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