IK Notes

# Ethiopia: Potential of Traditional Social Insurance for Supporting Health Care

In many developing countries, the inadequacy of current health financing arrangements, typified by progressively declining budgetary allocations and more cost sharing schemes have led to the exploration of additional and alternative approaches to improve the financing situation. Among the alternatives suggested are risk-sharing mechanisms that include community-based schemes that tap the potential of traditional social arrangements.

In Ethiopia, *eders* are forms of traditional arrangements utilized mainly for assisting those bereaved and for executing funeral-related activities. These associations are also called upon for various self-help activities and sometimes act as health insurers, though largely in a less formal manner. They have an obvious potential for serving as social financing mechanisms. Since these are already functioning groups, the administrative costs for the extra health-related activity are not as inhibiting as when forming a new insurance entity. In addition, the fact that eders are based on mutual understanding amongst members reduces the possibility of adverse selection.

## Organization and structure of *eders*

*Eder* is a form of traditional social institution that is established by the mutual agreement of community members in order to collaborate with each other whenever any member or their family members face adverse situations. The primary function of the *eder* is taking care of the burial and consolatory activities when death occurs within members. However, *eders* also provide assistance to offset losses to a member (due to theft, etc), during the weddings of members, etc. Besides these, *eders* are of paramount importance in other developmental activities within the surrounding community. *Eders* raise funds or coordinate the free labor of members in activities such as building roads, schools, health institutions and the like. Some *eders* contribute money

No. 48
September 2002

*IK Notes* reports periodically on Indigenous Knowledge (IK) initiatives in Sub-Saharan Africa and occasionally on such initiatives outside the Region. It is published by the Africa Region's Knowledge and Learning Center as part of an evolving IK partnership between the World Bank, communities, NGOs, development institutions and multilateral organizations. The views expressed in this article are those of the authors and should not be attributed to the World Bank Group or its partners in this initiative. A webpage on IK is available at // www.worldbank.org/afr/ik/default.htm

to members who have lost their houses in a fire or to compensate for the loss of farming oxen, while others also provide assistance to members to cover their medical costs.

The organizational setup of most *eders* is very simple. All *eders* have a chairman or a 'judge' and almost all will have a Secretary and a Treasurer. *Eders* are said to be the most democratic and egalitarian social organizations in Ethiopia — membership is open to everyone regardless of socio-economic status, religion, sex, and ethnic affiliation. Even though very few respondents mentioned not being able to pay contributions as a reason for non-membership of *eders*, almost all *eders* have provisions for members who face economic problems and are unable to pay contributions after having been members for some time. These members are considered as "pensioned" by the *eder* and are allowed to receive all the benefits that are due to other members.

### The potential of *eders* in financing health care

The organizational structure of *eders* that currently have a health care function is not very different from those that are not providing these services — obviously, there would be a clear emphasis in these on health issues. Essential here is a close link and on-going communication with health institutions that give services to members.

The financial logic of the *eder* is not different from any insurance system. In most situations members contribute a fixed amount of money on a weekly or monthly basis. Whenever a member has a problem, a fixed amount (depending on the by-laws of the particular *eder*) is taken out of the common pool and given to that member. There are also a few *eders* which raise the fixed contribution whenever the problem arises. In a community-based health insurance feasibility study conducted by the author and a representative of BASICS* ( Basic Support for Institutionalizing Child Survival, an organization that helps to implement USAID-supported programs ) in three towns, Adama, in the oromia Region and Yirgalem and Arbaminet in the Southern Region, *eders* were found to provide financial assistance for members' medical problems. For instance, in one of the *eders* included in the study, a lump sum payment of up to US$15 was given to households where a family member needs hospitalization. This amount covers the advance payment required by the hospitals prior to admitting a patient.

A follow-up survey was also conducted by the author in 1999 in systematically selected rural villages of the country. The data for this part of the survey were collected through household and health facility exit interview surveys. According to the findinngs of this latter survey, about 87 percent of household survey respondents and 72 percent of the exit interview survey respondents were participating in *eders* with mean annual payments of US$7 (ranging from1.5 to 60 birr) and US$8 (ranging from 1.5 to 68 birr) for household and exit respondents respectively. More importantly, 21.5 percent of the household survey respondents and 16 percent of the exit interview respondents claimed that their *eders* provide assistance during the time of medical need. The type of assistance provided ranges from loans to covering all medical costs of members. The respondents in both the exit and the household interviews were asked if they would be willing to join a possible *eder*-based health insurance scheme. Eighty six percent in the household survey and 90 percent in the exit survey were willing to join such a scheme. The average

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monthly contribution which the respondents reported as being able to raise was birr 2.5 (US $0.3) with a range of birr 1 to 36 (US $0.13 to $4.5) in the household survey and birr 3.4 (US$ 0.4) with a range of birr 1 to 48 (US $0.13 to $6) in the exit interview survey. Respondents in the exit survey (who had a recent experience of the financial cost of illness) sowed a higher propensity to join possible *eder*-based health insurance schemes with a slightly higher willingness to pay in terms of monthly premiums. The benefits most valued by the respondents were emergency services followed by drugs. It is obvious that people in rural areas where there are inadequate facilities for emergency services (including obstetric services) would be willing to join schemes that would make these services available to them. A case in point is an *eder* in one of the sampled villages that gave a loan of about US$25 to a pregnant mother-to-be facing obstructed labor. The money was used to hire emergency transport service to take the mother to a health center located about 40 kilometers from the village.

The popularity of the *eder* amongst people from all walks of life has been growing. These non-profit-making institutions based on solidarity, friendship and mutual assistance among members may possess both the techniques of enforcement and the appropriate incentives for applying them - vital qualities that one looks for when examining the role of indigenous institutions in socio-economic development. Overall, it can be surmised that *eder*-based schemes would improve the efficiency of service delivery.

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