No. 112

NOVEMBER 2012

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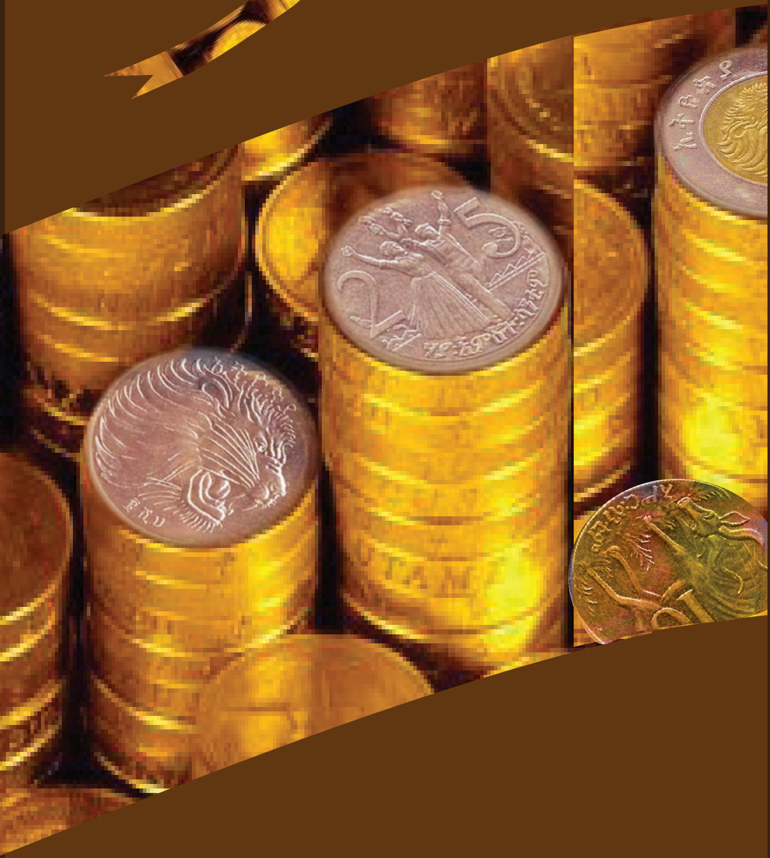

«At this stage it would be difficult for Ethiopian insurers to successfully develop and sell health micro - insurance products on a commercially viable basis, given their limited capacity .»

BIRRITU

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BANKS AND INSURANCE INSTITUTIONS OPERATING IN ETHIOPIA

ማዕከላዊ ባንክ Central Bank	የኢትዮጵያ ብሔራዊ ባንክ National Bank of Ethiopia	☎ 011-5-517430	011-5-514588

1	የኢትዮጵያ ንግድ ባንክ (Commercial Bank of Ethiopia)	011-5-511271	011-5-514522
2	ኮንስትራክሽንና ቢዝነስ ባንክ (Construction & Business Bank S.C)	011-5-518171	011-5-515103
3	አዋሽ ኢንተርናሽናል ባንክ አ.ማ (Awash International Bank S.C)	011-6-627828/633120	011-6-614477
4	ዳሽን ባንክ አ.ማ (Dashen Bank S.C)	011-4-654127/654064	011-4-653037
5	አቢሲኒያ ባንክ (Bank of Abyssina S.C.)	011-5-530663	011-5-511575
6	ወጋገን ባንክ አ.ማ (Wegagen Bank S.C)	011-5-523526	011-5-523520
7	ሕብረት ባንክ አ.ማ (United Bank S.C)	011-4-655284/85	011-4-655243
8	ንብ ኢንተርናሽናል ባንክ አ.ማ (Nib Intenational S.C)	011-5-503304	011-5-504349
9	የኦሮሚያ ሕብረት ስራ ባንክ አ.ማ (Cooperative Bank of Oromia S.C)	011-5-506065	011-5-150489
10	አንበሳ ኢንተርናሽናል ባንክ አ.ማ (Lion Iinternational Bank S.C)	011-6-627113	0116-625999
11	ዘመን ባንክ አ.ማ (Zemen Bank S.C)	0911-625747/011-5-539769	---
12	ኦሮሚያ ኢንሹራንስ ኩባንያ አ.ማ. (Oromia Insurance Company S.C.)	011-1-561834	011-1-561585
13	ብርሃን ኢንተርናሽናል ባንክ አ.ማ (Berhan Intenational Bank S.C)	011-6-623430	-----
14	ቡና ኢንተርናሽናል ባንክ አ.ማ (Bunna International Bank S.C)	011-5-158390	011-5-158314
15	አባይ ባንክ አ.ማ (Abay Bank S.C)	011-8-302030	
16	አዲስ ኢንተርናሽናል ባንክ አ.ማ (Addis International Bank S.C)	011-6-627671	

ልማት ባንክ Development Bank	የኢትዮጵያ ልማት ባንክ Development Bank of Ethiopia	☎ 011-5-513120	011-5-506021

የኢንሹራንስ ኩባንያዎች ስም ዝርዝርና አድራሻ
Insurance Companies Name & Address

1	የኢትዮጵያ መድን ድርጅት Ethiopian Insurance Corporation	251 11 551 24 00/51 53 69	251 11 551 74 99	eic.mdxvs@ethionet.et ✉ 2545
2	አዋሽ ኢንሹራንስ ኩባንያ አ.ማ. Awash Insurance Company S.C.	251 11 557 02 05/09	251 11 557 02 18	aic@ethionet.et ✉ 12637
3	ህብረት ኢንሹራንስ ኩባንያ አ.ማ. United Insurance Company S.C.	251 11 465 56 56	251 11 465 32 58	united.insurance@ethionet.et ✉ 1156
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12	ኦሮሚያ ኢንሹራንስ ኩባንያ አ.ማ. Oromia Insurance Company S.C.	251 11 895 95 84/ 79	251 11 550 31 92	oromiainsurance@ethionet.et ✉ 10090
13	አባይ ኢንሹራንስ አ.ማ. Abay Insurance S.C	251 11 553 53 00/53 55 50	251 11 515 76 90	abayinsurance@ethionet.et ✉ 1261
14	ብርሃን ኢንሹራንስ አ.ማ. Berhan Insurance S.C.	251 11 467 44 23	251 11 466 87 01	----

Editors' Note

Esteemed readers, included in this issue of BIRRITU are:

- Two news items:
  - Reporting some Financial Transactions to Combat Money Laundering
  - NBE Holds 16th In-House Presentation Forum
- Two research articles:
  - The Landscape of Micro-Insurance in Ethiopia: *Exploring Opportunities and Challenges*
  - Risk Based Supervision
- Two educational and informative articles:
  - Insurance and Insurance Supervision in Ethiopia: Overview
  - Managing and Building on Institutional Knowledge
- In the miscellany section, two entertainment items:
  - ሰብአዊነት ውስጥ ያለ እንስሳ
  - Why Moody…?

Your feedbacks are crucial inputs to BIRRITU. Please do not hold back your comments and suggestions, for your feedbacks are guide posts we cannot do without. Also, you can contribute materials focusing on the finance sector for BIRRITU. We hope you will find the items informative. Enjoy!

For your feedback, use the following:

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OPINIONS EXPRESSED IN ARTICLES DO NOT NECESSARILY REFLECT THE POLICIES & STANDS OF THE NATIONAL BANK OF ETHIOPIA

for resources, please visit the NBE's Official Website: www.nbe.gov.et

Reporting some Financial Transactions to Combat Money Laundering

Money laundering is a serious crime with serious implications to the country and the financial sector. To mitigate this banks are required to report to the Finance Intelligence Security Centre regarding withdrawals exceeding 200, 000 birr, and any suspicious transactions, Vice Governor of National Bank of Ethiopia, H.E. Ato Getahun Nana, said to representatives of banks in a ceremony organized regarding the issue at NBE. Laundered money comes through, among others, engaging in drug trafficking, tax evasion, and human trafficking.

Money laundering is putting money acquired through criminal activities into circulation using banks and financial institutions. To combat this, the government has laid down legal framework and Finance Intelligence Security Centre has been established.

Reporting more than 200, 000 birr withdrawal or 10, 000 USD or its other foreign currency equivalent and suspicious transactions does not mean these people are suspected of crimes, the Deputy Director of the Finance Intelligence Security Centre said. The purpose is just to have the data and to trace the movement of the money. Reporting that is obligatory. Reporting in this regard is necessitated due to the need to combat money laundering and financing of terrorism.

Banks and financial institutions and the government need to exert concerted efforts and act proactively compatibly with the challenge, it was reiterated on the occasion. There is a need to have the necessary information about people taking loans before loan could be advanced and those depositing money.

NBE had already prepared policy about the details to be inquired regarding the personal information of customers. The only addition recently is that up until now when crime is committed or there is suspicion it used to be reported to the police and it had been done piecemeal. From now on, it would be in consolidated form and would be reported to the finance intelligence security centre instead of the police. This came to force as of January 1, 2004 (Eth. C.) and circular has already be communicated to banks.

In connection with suspicious transactions, it is not the amount of money that is the issue. An individual handling a sum of money his/her income does not warrant is a suspicious circumstance. Details of what suspicious circumstances are laid down in the policy. Goodwill is necessary to keep one's eyes open to identify and report this sort of situation, and we should not forget the question of accountability involved, the Deputy Director stressed.

Money laundering poses danger to banks and financial institutions including their dissolution. If money can be acquired easily illegally, more and more people could resort to it and this would adversely affect economic activity and the government's national undertaking. It has potential to make the financial sector unstable, shake confidence in the sector and create negative image in view of the public due to it. To ensure stable economy and meet international standards and be competitive globally both local and international customers need to have confidence and the sector be protected.

NBE Holds 16th In-House Presentation Forum

The National Bank of Ethiopia (NBE) held the 16th In-House Presentation Forum on November 25, 2011 here in the premises of the Bank.

While opening the forum, Chief Economist and Vice Governor of Monetary Stability Cluster, H.E Ato Yohannes Ayalew noted that the forum plays pivotal role towards enabling researchers debate on important findings and policy proposals, beef up their research skills as well as update themselves with knowledge at the frontier of economic theory and policy.

The Vice Governor further stated that, “It is the wish and objective of the Bank that this forum will be able to produce papers that could be published as working paper series.”

To this end, a quality assurance and screening committee would be set up in a bid to ensure that papers selected for working paper series are up to the standard, according to the Vice Governor.

Apart from this, the committee will also nominate researchers for the Bank’s research awards; he said further adding that a research award fund amounting close to Br.100, 000 has been earmarked for 2011/12 fiscal year.

Ato Yohannes also pointed out that so far the research award fund has never been utilized for various reasons. However, he expressed his conviction that the story would be different this time; which would of course depend on the efforts and performance of researchers.

Acting Director of Domestic Economic Analysis and Publications Directorate (Directorate tasked with organizing the forum) Ato Tesfaye Gezahagne on his part said that the forum is the first one among the three forums scheduled for the current fiscal year.

The Acting Director further added that nominating discussants from clusters other than Monetary Stability which was rare in the past makes the forum unique.

Among six study papers planned for the forum, five papers highlighting banking sector development in Ethiopia, domestic saving, trade and growth, among others, were presented and deliberated by the participants.

Over 50 researchers, Directors and other invited staff of the bank were in attendance at the day-long forum.

The Landscape of Micro-Insurance in Ethiopia: EXPLORING OPPORTUNITIES AND CHALLENGES

Muhidin Shifa, NBE

ABSTRACT

Low-income people live in risky environments, vulnerable to numerous perils, including illness, accidental death and disability, loss of property due to theft or fire, agricultural losses, and disasters of both the natural and manmade varieties .While the majority of them have to manage risks with their own means, very few have access to formal insurance and depend on informal mechanisms to cope with shocks.

Given the majority of the population (84%) is living in the rural areas and deprived of basic social services (i.e. health and medicare) and financial services (i.e., loans and insurance), micro-insurance will play a powerful role in reducing poverty, deepening access to insurance services and hence increasing market efficiency in the Ethiopian insurance industry.

CHAPTER ONE: INTRODUCTION

1. General Background

According to recent report issued by Lloyd's of London and the Micro-insurance Center, currently around 135 million, or 5% of low income people in developing countries are using micro-insurance products. Annual growth rates in most countries are 10% or higher. But the low income market size, if measured by the number of potential clients, is several times larger, amounting to 1.5 to 3 billion potential policies.

The International labor Organization's (ILO) report on micro-insurance in Africa issued in 2010 reveals that, the current outreach of micro-insurance in Africa falls far short of these figures. According to the report 14.7 million lives were covered by micro-insurance, accounting for around 257 million USD in received premiums. This indicates that only 2.6% of the target population currently uses micro-insurance products, or, the current value of gross premiums received from the micro-insurance market in Africa including Ethiopia is only 1% of its potential value.

Micro-insurance in most developing countries has now become a well-accepted component of financial inclusion strategies and is increasingly being seen as a tool not only for social protection but also for equitable mitigation of risks thereby spurring poverty alleviation and economic development. In recent years donors and international organizations are looking at new insurance models targeting low income people with growing interest as global climate change are eroding actual coping mechanisms. Formal insurers have also started targeting these markets focusing mainly on agricultural micro-insurance and health micro-insurance. While the private sector is a key driver of micro-insurance market development, the policy framework is a crucial element.

2. Statement of the Problem

Micro-insurance is at an infant stage in Ethiopia. International labor Organization's (ILO) report on micro-insurance issued in 2010 reveals that out of the total potential market only 2.6% is reached by the existing micro-insurance schemes in most African countries. The current value of premiums received was only 1% of its potential.

Approximately 80 million people live in Ethiopia, of which an estimated 29.2% live below the nationally defined poverty line as of 2010. Crises are recurrent in the lives of the poor. Low-income people live in risky environments, vulnerable to numerous perils, including illness, accidental death and disability, loss of property due to theft or fire, agricultural losses, and disasters of both the natural and manmade varieties .While the majority of them have to manage risks with their own means, very few have access to formal insurance and depend on informal mechanisms to cope with shocks.

Informal coping strategies generally provide insufficient protection. Many risk-management strategies, such as spreading financial and human resources across several income-generating activities, result in low returns and tend to cover only a small portion of the loss. Conventional insurance services and traditional micro-finance schemes do not address such vulnerabilities and the necessity of risk reduction for the ultra poor. Mostly the Micro Finance Institution's (MFI) only cover lenders, part of the risk by securing the credit whereas borrowers' part of the risk is always overlooked.

Given the majority of the population (84%) is living in the rural areas and deprived of basic social services (i.e. health and medi-care) and financial services (i.e., loans and insurance), micro-insurance will play a powerful role in reducing poverty, deepening access to insurance services and hence increasing market efficiency in the Ethiopian insurance industry.

This document overviews the landscape of micro-insurance market and its potential in Ethiopia by exploring opportunities and challenges faced by commercial insurers in particular and other micro-insurance practitioners in general. It promotes the idea of deepening access to insurance services.

CHAPTER TWO: CONCEPTS OF MICROINSURANCE

1. Definition of Micro-insurance

Micro-insurance is, according to International Association of Insurance Supervisors (IAIS), defined as protection of low income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.

However, according to Lloyd's of London, the concept of micro-insurance means different things to different people. Commercial insurers see its potential as a way of reaching large under-served markets. Development institutions, such as the World Bank and the United Nations, focus on its potential to secure poverty reduction. Financial journalists and analysts highlight the size of markets at the "bottom of the pyramid". Academics argue that financial sector development is as essential as industrialization for sustainable economic growth.

For our purposes we can define micro-insurance simply as insurance that is designed specifically for the low income market.

2. Traditional Insurance and Micro-insurance

Micro-insurance draws on the same generally accepted practices as conventional insurance. However, micro-insurance products are not supply downsized off-the-shelf traditional product. Experience in low market has shown that there are fundamental differences. The table below illustrates the differences between conventional insurance and micro-insurance.

Table 1.Comparison of Micro-insurance and Traditional Insurance

Items	**Traditional Insurance**	**Micro-insurance**
Clients	• Low risk environment and established insurance culture	☐ Higher risk exposure/high vulnerability and weak insurance culture.
Distribution models	• Sold by licensed intermediaries	☐ -traditional intermediaries
Policies	• Complex policy documents with many exclusions	☐ if any, exclusions ☐
Premium calculation	• Pricing based on individual risk (age and other characteristics)	☐
Premium collection	• Monthly to yearly payments, often-paid by mail-based on an invoice, or by debit orders	☐ payments ☐ transactions
Control of insurance risk (adverse selection, moral hazard, fraud)	• Limited eligibility • Screenings, such as medical tests, may be required	☐
Claims handling	• Complicated processes and extensive verification documentation	☐ procedures for small sums

Source: Lloyd's: 360 risk insight, 2009

CHAPTER THREE: MICROINSURANCE IN ETHIOPIA

Ethiopia, now a country of around 80 million people and if 2.6 % annual growth is assumed from 2007/2008 on, is very densely populated. Based on the census results of Central Statistics Agency (CSA) of Ethiopia in 2007/2008, 83% of the population is living in the rural areas and is deprived of basic social services (e.g., health, Medicare, etc.).

Micro-insurance is at infant stage in Ethiopia. According to recent estimates, out of the total potential market only 2.6% is reached by the existing micro-insurance schemes. The current value of premiums received in most African countries (including Ethiopia) constitutes only 1% of its potential.

Instead of insurance, the economically disadvantaged often rely on savings, on mortgaging their land and assets, on taking out emergency loans from micro-credit institutions and money lenders. Such informal coping mechanisms are sometimes unreliable or inadequate, which results in situations worse off.
Alternatively, they rely on family support, which is not always forthcoming for difficulties that affect people simultaneously throughout a region or country.

A few categories of financial institutions, serving millions of Ethiopians, are currently involved in either providing informal risk management products (as done by the *iddir* [traditional community association]) or informal insurance products (as done by MFIs and Saving and Credit Cooperatives [SACCOs]). The difference between these categories of pay-outs is the level of certainty around the premium and pay-out.

While *iddirs* may tend to vary their contributions and pay-outs depending on their risk experience and the level of contributions received, MFIs and SACCOs will normally set their premiums at a fixed level (a percentage of the total loan amount) and cover the outstanding debt of clients.

The very first micro-insurance scheme was credit insurance scheme provided by MFIs as a protection of their loan if the borrower defaults due to natural cause (i.e., death). Most of the MFIs who provide micro-insurance schemes have rushed into the business either to protect the money they give away as micro credit or just to make more money from premium. Micro-insurance pilot projects are now practiced by few insurance companies, and there are few varieties of risk mitigation options available to the low-income market.

1. **Micro-insurance Products in Ethiopia**

The most available micro-insurance products provided by commercial insurers and (other formal and informal) financial sectors in Ethiopia are credit life micro-insurance, health micro-insurance and agricultural micro-insurance. Like in many other developing countries agricultural micro-insurance can be offered in the form of weather index insurance, multi-peril crop micro-insurance, named peril crop micro-insurance, and livestock micro-insurance. While a few pilot projects have been implemented, a majority of them are yet on the way particularly in the area of agricultural insurance and health insurance. Examples include the Horn of Africa Risk Transfer for Adaptation (HARITA) Index Insurance Pilot Program; Ethiopian Insurance Corporation (EIC) Crop Insurance Pilot Project; Nyala Insurance Share Company (NISCO) Crop Insurance Pilot Project; and the WFP Humanitarian Insurance.

In reaching the market commercial insurers must not only consider the income of their potential targets but also their own capacity. For example a successful health insurance market is not only dependent on the income of potential insurance clients, but also on the proximity of health facilities near farmers' or clients' area.

At this stage, it would also be difficult for Ethiopian insurers to successfully develop and sell health micro insurance products on a commercially viable basis, given their limited capacity. So the need for donor and government help might be considered to sustain health micro-insurance projects. Most micro-insurance practitioners around the world have found credit life micro-insurance, livestock micro-insurance and crop micro-insurance relatively simple products to develop and begin with.

2. Micro-insurance Providers in Ethiopia

The usual providers of micro-insurance in Ethiopia are MFIs, SACCOs, *iddirs*, commercial insurers and donors. SACCOs and MFIs, in terms of client bases, are leading the delivery of financial services to low-income households. However donors played the most important role in the development of micro-insurance by providing funds, capacity building and technical assistance.

Besides profit, commercial insurers are driven by several other motivating factors for providing micro-insurance: a large and diversified risk pool, business reputation, market intelligence, and market innovation that can be applied to other business activities .In the long term, the combination of first mover advantage and sustained growth in developing markets can lead to strong future business prospects.

CHAPTER FOUR: OPPORTUNITIES AND CHALLENGES TO THE ETHIOPIAN COMMERCIAL INSURERS

1. Opportunities –Indications of Demand

1. Profit Patterns

The following table depicts the potential micro-insurance market in Ethiopia. The estimated number of MFIs, SACCOs, insurers, banks, and the employed are adjusted to increase by 15% from what it was in 2008 as it is the case in most developing countries. The estimated number of adult population and total population are adjusted to increase, as per CSA's annual growth rate, by 2.6% from what it was in 2008. Please note that the available data does not allow for the consideration of overlap between target groups.

Table 2: The Performance of Agricultural Micro-insurance in Ethiopia in the Years 2008 to 2011(in Birr)

Years	Gross Premium	Earned Premium	Claims Incurred	Loss Ratio	Premium Growth Rate
2008	31,269	4430	443	10%	-
2009	144,961	75,512	22,145	29%	364%
2010	280,194	141,672	316,811	224%	93%
2011	3,833,071	2,945,227	95,309	3%	1268%

Source: NBE quarterly returns

Although the total outreach of micro-insurance in Ethiopia is very small compared to its potential size, the annual growth rates for premiums for the last three years were 364%, 93%, and 1,268%, respectively. This is much higher than the annual growth rate of 10% experienced in most developing countries. The exceptional sharp increase in premiums during the year 2011 was a result of the entrance of an existing composite insurer into micro-insurance business in large volume in northern Ethiopia, where the company grabbed 88% of the villages or the households.

Agricultural micro-insurance product was profitable 90%, 71% and 97%for the years 2008 2009 and 2011, respectively while it was in the year. The loss ratio was escalated to 224% in the year 2010 attributed to the insufficient rain that triggered the total loss payout by one of the micro-insurance providers to crop micro-insurance policyholders.

2. Estimating Gross demand

The market serviced by the formal insurance industry is just a fraction of the total number of adults. With insurance penetration figures of about 1% from 2004 to 2011, there is still a large un-served market for commercial insurers in Ethiopia.

Table 3: The Estimated Number of People under each Target from the Years 2008 to 2011(in millions)

Years	MFI	SACCO	Banks	Insurers	employed	Iddir	Adults (>15years)	Absolute poverty line
2008	1.75	0.38	2.9	0.3	2.4	2.4	40.6	N/A
2009	2.02	0.44	3.34	0.35	2.76	2.76	41.7	N/A
2010	2.34	0.50	4.84	0.40	3.17	3.17	42.7	29.2%
2011	2.6	0.58	4.41	0.46	3.65	3.65	43.8	
	6%	1%	10%	1%	8%	8%		

Source: CSA of Ethiopia 2007/2008 census report, A211 (2010) and own computation

From the above we can infer that the estimated target market that can be accessed by Ethiopian commercial insurers with in the short term includes 2.6 million from MFIs, 0.58 million from SACCOs, 3.65 million from formally employed, and 4.41 million from banks. We might deduce, for example, that reaching 2.6 million from MFIs and 0.58 from SACCOs will scale up the commercial industry by 719%.

While it is unlikely that insurance will be able to fully replace *iddir* membership due to the latter's important social function, it is possible that some members will choose to supplement their *iddir* membership with life insurance and some may even give up their *iddir* membership if an appropriate life insurance product is available. In the medium term (from 5 to 10 years), according to the author's opinion, the commercial industry will access a considerable proportion of low income people from 3.65 million *iddir* members.

According to the 2009/2010 CSA of Ethiopia report, the nationally defined poverty line was 29.2% while the absolute food poverty line was 28.2%. The insurance industry can access 28.2% or 27.2% of the population in the long term if we consider the nationally defined poverty line or the absolute food poverty line as an outlier limit for the potential market. Currently the total number of population accessed by the existing formal insurance market is about 1%.

3. Related Consideration: Agricultural Context

Ethiopia has very fragmented agricultural landscape with many farmers having very small landholding and cattle holding. According to global best practices, to decide the commercial viability of agricultural insurance, the minimum threshold for landholding size and the minimum threshold for cattle holding size are 2 hectares and 10 heads of cattle. Below these thresholds, agricultural micro-insurance is hardly considered to be commercially viable.

However 17% of all households with land holdings in Ethiopia have land holdings of more than 2 hectares in 2007/2008. This might create a potential of at least 2.3 million farmers for crop insurance to the commercial insurance industry. According to the author's opinion the commercial industry can access this target population with in 5 to 10 years.

Table 4: Distribution of Households by Size of Land

Size of Land	Total Households	% of Total Households	Cumulative %
All	13,279,659	100	100
Under 0.10	876,928	6.6	6.6
0.10-0.50	3,323,170	25	31.6
0.51-1.00	3,284,912	24.7	56.4
1.01-2.00	3,513,544	26.5	82.8
2.01-5.00	2,096,126	15.8	98.6
5.01-10.00	174,396	1.3	99.6
Over 10.00	10,583	0.1	100

Source: Central Statistical Agency, 2007/08

In terms of cattle holdings, about 6% of all cattle holdings have 10 or more heads of cattle, equating to about 0.8 million cattle holdings out of a total of 13.1 million. This will create an estimate of 0.8 million farmers for livestock insurance to the commercial insurers.

Table 5: The Size of Total Cattle Holdings

Number of cattle per holdings	Number of holdings	% of total holdings	Cumulative %
Total	13,120,767	100	100
Holdings with no cattle	2,590,914	19.75	19.75
1-2 heads	3,478,057	26.51	46.26
3-4 head	3,356,546	25.58	71.84
5-9 head	2,906,563	22.15	93.99
10-19 head	661,112	5.04	99.03
20-40 head	117,380	0.89	99.92
50-99 head	7,586	0.06	99.98
100-199 head	2,123	0.02	100
>=200 head	486	0	100

Source: Central Statistical Agency, 2007/08

If we estimate the gross demand from agricultural consideration, we can deduce that the commercial insurance industry can access a client base of at least 3.1 million households from multi-crop micro-insurance, named-peril crop micro-insurance, index micro-insurance and livestock micro-insurance within the short term (i.e., five years).

2. Challenges Faced by Ethiopian Commercial Insurers

While it is understood that risk alleviation is part of the role that micro-insurance practitioners play in economic growth, there are plenty of hurdles for micro-insurance providers to overcome before this service gains popularity. Some of these issues are outlined based on interviews with Ethiopian micro-insurance providers and other related studies.

Need for large volume in micro-insurance products

While microfinance model based on micro lending can survive with a few clients, the same cannot be said for insurance offers in a micro scale, because it hampers with the basic Law of Large Numbers.

Issue of trust between micro insurer and client

Unlike the case in credit, where the micro-entrepreneur borrows the money and takes up the responsibility of returning it, insurance reverses the responsibility of risk. In micro lending, the provider puts up the capital and trusts the customer to pay it back; in insurance, the policyholder pays up front and hopes the provider keeps its promise to make a payment in accordance with the contractual terms.

Highly personalized products needed

Each village and each community face different kinds of risks that need to be insured (crop micro-insurance, credit life micro-insurance, health micro-insurance, etc.) and knowing these minor distinctions is vital to the adoption of any micro-insurance product. An insurer can't just offer what they always do but at a reduced price.

Lack of understanding about insurance

Insurance isn't a very popular financial service in Ethiopia like in many developing economies because many fail to appreciate the importance of transferring risk.

Weather data
The absence of an extensive, sufficient quality weather station network remains a challenge.

Delivery channels

One of the greatest challenges for micro-insurance is the actual delivery to clients. Most cooperatives have limited capacity and skills to administer large-scale weather insurance projects. The absence of distribution network with commercial incentive to distribute this insurance product from the micro-insurance providers was also identified as an obstacle in most pilot projects.

In many countries the partner-agent model proved successful in reaching the large portion of the population .Under this arrangement, the MFIs or the cooperatives act as the agent, marketing and selling the product to its existing clientele through a distribution network it has already established for its other financial services. The insurance provider acts as the partner, providing actuarial, financial, and claims-processing expertise, and the capital required for initial investments and reserve as required by law. The insurer also absorbs the risk.

Actuarial Evaluation and Reinsurance

One of the biggest drawbacks is that, none of the micro-insurance schemes' premium has been calculated through actuarial analyst. On the other hand re-insurers often, according to the author's opinion, are not interested in offering cover for micro-insurance business for micro-insurance claims are too small and incur high administrative expense. For example during the 2006 EIC's crop insurance project only 28 farmers decided to purchase the product, hence no reinsurance was obtained.

CHAPTER FIVE: POLICY ISSUES AND SUPERVISORY PRACTICES

1. Why Micro-insurance Requires Regulatory Caution

Although the existing insurance regulation does not create significant barrier to commercial insurers to undertake micro-insurance, the regulation should be tailored to encompass specific issues. Good micro-insurance regulation builds on the same principles as regulation for traditional insurers, such as solvency and the protection of policyholders from marketing abuses. However, as most micro-insurance practitioners and some international regulators agree, there are differences in scale and structure. Hence regulation of this sector may differ from traditional insurance in decisive details in the following ways:

Delivery channels: Instead of requiring specialized, licensed agents, regulators could accept the sale of simple products by unconventional institutional agents or individual agents with limited insurance expertise.

Insurance risk control: A possible trend for efficient regulation may lie in risk-based approaches. For example, the simplicity of most micro-insurance products could justify simplified reporting, and minimum capital requirements could be adapted to their low-risk characteristics.

Premiums: Regulators could recognize alternative calculation methodologies, and accept undifferentiated premiums or group pricing adapted to limited actuarial data, limited information on policyholders and different (or in some cases unknown) risk structures.

Policies and Claims handling: Regulators could approve simple products and accept simple policies phrased in language that is understandable to low income consumers. Regulators could recognize fast and cost-effective settlement mechanisms, which may include simpler documentation requirements and possibly even include claims handling by the distribution channel. There should be simple recourse possibilities for policyholders in case of disagreement, such as an easily accessible ombudsman, at least in more urban areas.

2. Policy Issues and Supervisory Practices

Government policy on micro-insurance has to strike a delicate balance between promoting access to insurance and protecting consumers. On the one hand there are new market-focused micro-insurance providers that need to be given time to experiment, evolve and grow. On the other hand there are the priorities of institutional and systemic stability, as well as consumer protection; all related to ensuring trust in insurance in the long term.

In many emerging economies, the insurance supervisor has an additional market development role. Examples include the Insurance Regulatory and Development Authority in India, and similar structures in South Africa, Brazil, the Philippines and China. Supervisors combine the supervisory and development mandates in various ways.

Five general strategic options for micro-insurance regulation have emerged; motivating existing insurers, motivating informal insurers, facilitating new micro-insurers, motivating insurance take-up, and integration of micro-insurance policy into financial sector policies.

CHAPTER SIX: CONCLUSION AND RECOMMENDATION

1. Concluding Remarks

Micro-insurance is defined as protection of low income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.

Although the total out reach of micro-insurance in Ethiopia is very small compared to its potential size, the annual growth rates of premiums for the last three years were 364%, 93%, and 1,268% respectively. This is much higher than the annual growth rate of 10% experienced in most developing countries

The market serviced by the formal insurance industry is just the tip of the total number of adults. With insurance penetration figures of about 1% from 2004 to 2011, there is still a large un-served market for commercial insurers in Ethiopia. The estimated target market that can be accessed by Ethiopian commercial insurers with in the short term includes 2.6 million from MFIs, 0.58 million from SACCOs, 3.65 million from formally employed, and 4.41 million from banks.

If we estimate the gross demand from agricultural context, the commercial insurance industry can access a client base of at least 3.1 million households from agricultural Micro-insurance (i.e., multi-crop micro insurance, specific peril crop micro-insurance, index insurance and livestock micro-insurance) with in the short term.

Based on the 2009/2010 CSA of Ethiopia report, the nationally defined poverty line was 29.2% while the absolute food poverty line was 28.2% .The insurance industry can access 28.2% or 27.2% of the population in the long term if we consider the nationally defined poverty or the absolute food poverty line is an outlier limit for the potential market.

The most significant challenges faced by all micro-insurance practitioners in general and commercial insurers in particular include: a need for large volume in micro-insurance products; the issue of trust between the micro-insurer and the client; need for highly personalized products; lack of understanding about insurance; actuarial evaluation; weather data ;delivery channels ;limited penetration of agricultural credit ;and reinsurance.

1. Recommendations

One substantial determinant for the viability of micro-insurance is the large percentage of apparent policy holders. This makes offering micro-insurance an encouraging proposition for commercial insurers, whose existing client base is in the upper market segment.

The poor people need to be activated to understand comparative advantages of saving, protection, credit and insurance. Awareness raising programs need to be undertaken by the government, regulators and insurers in both formal and informal sectors.

In reaching the market commercial insurers must not only consider the income of their potential targets but also their own limited capacity. At this stage, according to the author's opinion, it would be difficult for Ethiopian insurers to successfully develop and sell health micro insurance products on a commercially viable basis, given their limited capacity. So the need for donor and government help should be considered to sustain health insurance projects. Most micro insurance practitioners around the world have found credit life micro-insurance, livestock micro-insurance and crop micro-insurance are relatively simple products to develop and begin with.

In many countries the partner-agent model proved success full in reaching a large portion of the population. Such arrangement might be helpful to Ethiopian micro-insurance industry. Commercial insurers must deal with the following issues to enhance demand for micro-insurance: accessibility; timeliness, convenience and fast processing of claims; affordability and maximizing efficiencies; market awareness; and risk management substitutes.

Regulators and policymakers must balance the need to protect customers with encouraging industry innovation and growth. Five general strategic options for micro-insurance regulation have emerged motivating existing insurers, motivating informal insurers, facilitating new micro-insurers, motivating insurance take-up, and integration of micro-insurance policy into financial sector policies.

Annex 1: Acronyms and Abbreviations

A2II	Access to Insurance Initiatives
CGPA	Consultative Group to Assist the Poor
CSA	Central Statistic Agency
EIC	Ethiopian Insurance Corporation
HARITA	Horn of Africa Risk Transfer for Adaptation
ILO	International Labor Organization
IAIS	International Association of Insurance Supervisors
MDG	Millennium Development Goals
MFI	Micro Finance Institution
NBE	National Bank of Ethiopia
NISCO	Nyala Insurance Share Company
SACCO	Saving and Credit Cooperatives

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Risk Based Supervision

Sintayehu Desalegn

1. Introduction

Supervising financial institutions is of vital importance for financial stability in particular and macroeconomic stability in general. In consideration of this, the world has given due attention to regulating and overseeing financial institutions. Furthermore, the 2008 global financial crisis has pointed out the crucial value of supervising financial institutions; helping to protect against risk of failures in the financial system and subsequent economic crisis. One of the most important lessons that the world learned from the 2008 global financial crisis is the need for full, timely and consistent implementation and enforcement of rules and regulation.

To cope up with ever-changing global economic environment and ever increasing complexity, and innovation in financial system, the world is continuously reforming financial institutions supervisory approach and regulatory system. Moreover, traditional supervisory approach to financial institutions was no more adequate both in context and focus. As result, supervisors had to revisit their approaches on two fronts. First, efforts were directed towards developing a more risk-focused approach that leads to identification of major risk areas, focusing on significant business units. Second, supervision rules were redefined; underlining the need for effective risk-management systems and structures, including clearly defined roles and responsibilities for management and oversight of risks. These efforts resulted in what is now commonly known as the 'risk-based supervision' (RBS) approach. This approach has been in use for some years, especially in developed economies. However, it is only recently that it has been successfully tested in developing economies like Ethiopia.

Literatures show that a risk-based approach to supervision has been effective in filtering out the risks and issues which financial institutions need to address. The supervisory response that it triggers has proven a powerful mechanism for getting financial institutions to recognize shortcomings in their approach to risk and to remedy them.

RBS was first developed for banking supervision, then insurance supervision, but this paper emphasizes on banking supervision (both conventional and microfinance banks).
The objective of this paper is to provide bird's eye view of risk based supervision for regulatory organs of financial institutions and other stakeholders. It aims to increase understanding of what RBS is and how it is conducted.

1. RBS and Basel Accords

As the central Pillar of regulating financial institutions is capital adequacy; the introduction of 1988 Basel accord is considered as milestone for risk based supervision. Since then, one of the regulatory frameworks for financial institutions has been a risk-based capital adequacy regime. Capital requirement serve two purposes i.e. preventive role and shock absorber role. In the former case, it lets financial institutions set, manage and maintain appropriate risk appetites. In the latter case, it ensures that financial institutions can continue operating soundly through unforeseen risks.

financial safety (little impact on the risk appetite decisions of financial institutions). This triggered the introduction of Basel II. Under Basel II, capital requirements are more sensitive to the actual risks within an individual financial institution's business. It assumes that an institution has sophisticated and detailed risk models supported by strong risk management systems. Thus, advanced Basel II approaches compel that an institution's regulatory capital requirement to be driven by its own risk models.

Currently, the world has given much more attention and effort for implementation of Basel II, but it should be borne in mind is that RBS and regulatory Capital requirement should be applied simultaneously. Board and management oversight and quality of risk management system can protect an institution for a considerable period of time from the risk of a weak capital position, but weak governance and fragile risk management system, a strong capital position is hardly appropriate remedy. Thus, it is the combination of capital requirements and efficient governance and effective risk management system which can promote the interests of depositors and financial system stability.

Basel III is a crucial regulatory response to the crisis and a major step forward towards creating a stronger and safer financial system.

3. Definition of Risk Based Supervision(RBS)

First of all, it is important to know what RBS is. It is supervisory approach used by regulatory organs of financial institutions that focuses on risk management system of an institution and management's capacity to deal with the prevailing risk. Contrary to traditional supervisory approach, it not only considers the present condition and compliance issues but also quality of risk management system in place and management's ability to control the existing risk; thus, sometimes it is known as forward-looking approach.

RBS is an ongoing supervision process whereby risks of an institution are assessed and an appropriate supervisory plan designed and executed in an efficient manner. It involves continuous monitoring and evaluation of the risk profiles of the supervised institutions in relation to their business strategy and exposures based on their respective risk matrix. It is all about identifying those financial institutions with greatest risks, then identifying, within an institution, those areas in which risks are greatest and applying scarce supervisory resources in order to ascertain sound and safe financial system.

4. Risk-based vs. compliance-based approach

Risk-based approach	Traditional approach
✓ Identifies potential risks and assesses risk mitigating factors ✓ Seeks proper management of all risks	✓ Focus on present condition and compliance issues; not risk management system in place ✓ Focuses on risk avoidance
✓ Forward looking and Flexible ✓ More relies on supervisor's discretion and professional judgment	✓ Historical and backward-looking ✓ Often rigid rules based
✓ Early warning system; early identification of emerging risks at individual financial institution and industry at large.	✓ No early warning system
✓ Removes duplication of work; Compliance checks done by audit	✓ Duplicates work of auditors etc
✓ Supervisory resources are targeted at institutions or areas that are of greatest risk	✓ All areas or institutions get same degree of attention
✓ Addresses also the causes of the problem ✓ Attention directed to emerging problems	✓ Addresses only the symptoms of the problem ✓ Attention to past breaches of rules

5. Rationale and objectives of RBS

The primary intention of introducing RBS was helping financial institutions adopt sound risk management practices and capital commensurate with risk profile of the respective institution.

In addition, it has the following objectives:

- ✓ To prioritize supervisory activities and allocate resources according to professed risks i.e. supervisory resources are first allocated to the most risky areas or institutions.
- ✓ To identify potential risks that may cause serious problems in the future and to assess the ability of financial institutions' management to deal with the risks identified.
- ✓ To understand and assess the financial institutions' business and strength of risk management systems that are in place to timely identify, measure, monitor and control inherent risks.
- ✓ To create a regulatory environment in which financial institutions are not just pushed to avoid risks but can also mitigate and offset risks as acceptable risk-management practices.
- ✓ To adopt consistent framework for evaluating financial institutions through the separate assessment of inherent risks and adequacy of risk management system.

6. How RBS is Conducted

In RBS both on-site examinations and off-site surveillance are integrated into the process so that each one feeds into the other. They are so interdependent and integrated such that one cannot work properly without the other. Thus, coordinated program between on-site and off-site examination is of vital importance.

Prudential meetings and interviews at different levels are main parts of risk based supervision methodologies. It is very important that examiners shall conduct meetings with financial institution's management, risk manager, internal and external auditors, chairpersons of different board risk management committees and board chairperson. Such meetings help examiners better understand the institution's business strategy, the risks faced by it, and adequacy of risk mitigating factors.

Risk based supervision involves assessment of the inherent risk and the adequacy of risk management system. In inherent risk, examiners are required to assess the nature, complexity and level of risk in question. Based on this assessment, the inherent risk of the institution is judged as high, moderate, or low.

In assessing the adequacy of an institution's risk management system, primary consideration should be placed on board and senior management oversight; risk management and monitoring, policies, procedures and limits, management information and internal control systems in relation to the specific risk under question. Based on this assessment, strength of risk management system of the respective risk should be judged as strong, acceptable, or weak.

In general, to assess both level of risk and adequacy of risk mitigating mechanisms; examiners are required to carry out three levels of review:

- ✓ ***The risk management framework review:*** The review starts with a high-level focus on matters such as risk identification and assessment, the comprehensiveness of the framework and the role of the board in approving and monitoring its implementation;

- ✓ ***Risk management policies, procedures and limits review:*** The review then drills down into the detail and documentation of authorizations and delegations; the measurement, monitoring and reporting on risk through the financial institution's systems and management hierarchy; and the effectiveness of the separation of duties between the business units and the risk management function; and

- ✓ ***Transaction and reporting system review:*** The review is completed with a detailed look at some individual transactions (e.g. loan files, market trades, new product developments, system changes or limit breaches) that are followed through the financial institution's systems and procedures to see that the risk aspects are measured, tracked and reported as intended. It also involves reviewing internal audit, external audit and risk management reports.

Composite risk for each risk category is determined by balancing the level of inherent risk with the strength of risk management systems for that risk; then overall level of inherent risk and overall quality of risk management system are determined. Finally, overall composite risk of the specific institution and its direction is judged. This is what we call **risk matrix.**

7. RBS and CAMELS Rating System

CAELS (Capital adequacy, Asset quality, Earnings, Liquidity and Sensitivity to market risks) indicators; drawn from periodical returns from financial institutions, are used as one of the off-site supervision tools for early warning systems in risk based supervision. Supervisory actions may be activated by conclusions reached on off-site CAELS analysis which gives early signals that the institution is financially deteriorating or not.

While performing risk based on-site examinations, examiners shall also analyze CAMELS (Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risks) components. Each component ratings shall be based on both quantitative and qualitative analyses, and its interrelationship with the other components and the link between the risk ratings. Moreover, evaluations of the component areas shall consider the institution's size and sophistication, the nature and complexity of its activities, and its risk profile. Based on this analysis each component is rated 1 to 5 where "1" indicates the strongest performance and adequate risk management practices, and "5" indicates the weakest performance and inadequate risk management practices for that component.

Similarly composite rating assigned 1(strong) to 5(critically deficient) which is derived judgmentally after careful evaluation of the component ratings. Financial institutions rated "1" are sound in every aspect or rated 1 or 2 in component rating; minor weaknesses that can simply be handled by the management and board of directors and least degree of supervisory concern. Whereas those rated "5"are considered extremely unsafe and unsound; critically deficient performance and inadequate risk management practices, and therefore greatest supervisory concern.

8. Supervisors Perspective

A regulator looking for complete elimination of the risk of failure would invariably stand in the way of sensible risk-taking activity and would harden the blood vessel of the economy i.e. financial system. Thus, regulatory framework generally shall acknowledge the possibility that some financial institutions may fail and it shall provide the regulator with the powers and the time to intervene when an institution is in distress so that the losses tolerated by depositors (or the deposit insurance scheme that supports them) can be minimized.

Regulators who take a risk-based approach to supervision need to critically evaluate the institution's risk management framework. They have to develop a risk-rating system that requires assessing the inherent risks facing the institution, the effectiveness of management and controls in mitigating these risks, and the extent of capital support to meet unexpected losses.

Supervisors and regulators of financial institutions need to have a comprehensive understanding of inherent risks of specific product, area or an institution and how these risks are evolving in the market-place, before they devise targeted, effective yet practical standards or requirements. Capital requirements shall largely be determined within the Basel II framework, although regulator organs need to make calls on precisely how the framework will be applied in their jurisdiction. Regulators have greater latitude in the area of behavioral standards for governance and risk management; an increasingly important sphere of financial institutions supervision.

Supervisors are supposed to ascertain that financial institutions have held adequate provisions on their balance sheet to deal with expected losses, and require capital as an additional buffer to deal with unexpected losses. Capital adequacy requirements are set so that the financial resources provided by capital and provisions are adequate to deal with almost all adverse outcomes.

As strong corporate governance is of vital importance to the safe and sound functioning of financial institutions; regulators are required to set various standards relating to the ability, competence and decision-making power of board and senior management. It is the combination of capital requirements and effective governance, and risk management that can promote prudent behavior by financial institutions in the interests of depositors and financial system stability.

Moreover, regulatory organs are required to develop risk management guidelines (RMGs) for financial institutions which are considered as an indispensable prerequisite to move to risk-based supervision. The guidelines shall include the four elements of an effective risk management framework i.e. active board and senior management oversight, adequate policies, procedures and limits, adequate risk measurement and MIS, and comprehensive internal controls and provide guidance on the identification, measurement, control and monitoring of all types of risks. They provide examiners a handy reference for assessing risk management systems and serve as a common language between them and the supervised financial institutions.

9. Financial institutions perspective

The primary responsibility for financial soundness and prudent risk management within a financial institution rests with its board of directors and senior management. The board has an obligation to understand the risk profile of the institution, determine the tolerable level of risk for the institution, approve its risk management strategy and policies, and ensure that management is monitoring the effectiveness of risk management system. It is the board that should ensure that the institution maintains capital commensurate with the level and type of risk exposure.

Senior management has an obligation to ensure that risk-taking is done within a controlled environment which is in line with board-approved policies, limits and strategy. It is their responsibility to ensure that the appropriate people, systems and processes are in place.

Financial institutions are required to establish risk management unit/department. It is essential that risk management staff have authority and reporting lines that are independent of the business units and the confidence to exercise that authority when things are jumbled. It is also essential that risk managers have the necessary qualifications, experience and technical capabilities to carry out their role. Its value as a defense against emerging risks has to be recognized and financial institutions have to bid strongly for skilled risk management staff.

Each financial institutions is also required to develop its own comprehensive risk management program (RMP) tailored to its needs and circumstances and submit to regulatory authority for review. RMPs shall incorporate all components of sound risk management system i.e. active board/senior management oversight; adequate policies, procedures and limits; adequate risk monitoring and MIS; and adequate internal controls for, at least, each of most common risks; strategic risk, credit risk, operational risk, liquidity risk and market risk. In addition, they should clearly state the mandate of their Risk Management Committees and Risk Manager.

Conclusions

The risk-based approach, unlike traditional supervisory approach, not only considers the present condition and compliance issues but also quality of risk management system in place and management's ability to control the existing risk. This approach, in regulation promotes that higher the risks the higher the capital requirement principle. In supervision it requires supervisors to assess and identify financial institutions with greatest risks, then identify; within an institution, those areas in which risks are greatest; and intervene and enforce standards flexibly.

It is the combination of statutory requirements, efficient governance and effective risk management system which can promote the depositors' interests and financial system stability; and thereby contribute a lot for macroeconomic stability.

Regulators are required to recognize and understand risks that are inherent in financial institutions business and set appropriate rules, regulation and guidelines that are helpful for implementing risk based supervision, whereas it is financial institutions responsibility to have detailed risk model supported by strong risk management systems. To this end they are required to prepare comprehensive risk management program or identify, assess and monitor risks that are inherent in their line of business.

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Insurance and Insurance Supervision in Ethiopia: Overview

Insurance Supervision Directorate (ISD), at the National Bank of Ethiopia, carries the mandate and the duty to supervise the operations of insurance companies in Ethiopia. BIRRITU has had an exchange with the Directorate regarding the current and the future prospect of insurance and insurance supervision in Ethiopia.

BIRRITU: What is insurance?

ISD: In brief insurance is a contractual or non-depository financial intermediary. By the shareholders or investors insurance is considered as business. Technically, it is a risk transferring mechanism whereby the insured transfers insurable risks to the insurer by paying a front end consideration called premium. In return, the insurer promises to make the loss good at the rear end when the insured event occurs. In legal terms, insurance is a contract between the insured person and the insurer. Both parties agree to perform certain terms and conditions: the insured to pay premium and the insurer to compensate the insured on condition that the risk in the operative clause of the insurance policy (evidence of the contract) materializes.

Whatever definition insurance takes, the actual value delivered from the transaction is first to provide "peace of mind" by transferring the worries associated to risks that individuals and organizations are not able to endure. Second, if the risk insured materializes, the insurer will make the loss good and hence insurance provides financial compensation that brings the insured person back to the position where he/she was immediately before the loss. In broad terms, therefore, insurance can be defined as the process of dealing in risk and risk transferring mechanism.

BIRRITU: What is the purpose of insurance?

ISD: Essentially, the wider purpose of insurance is aiming at supporting the economy. Conversely, as the economy grows, it supports the growth of insurance as well. Therefore, insurance and the economy go hand in hand. It is sometimes difficult to think the success of the one without the involvement of the other.

In specific terms, insurance encourages investment by taking care of insurable risks. For example, the sector provided protection for an exposure of around Birr 500 billion (March 31, 2011 estimate). This would have not been the case had insurance not been in service. It also provides loss minimization and control advices.

Insurance also facilitates credit transactions. Thanks to the service offered by insurance, collaterals pledged by banks when extending loan are able to serve the intended purpose. This would give comfort to both the lender and the borrower.

As primary function, insurance provides financial compensation. For example, in the recent past 10 years, the Ethiopian insurance sector paid around Birr4 billion for compensation. This would allow employment and supply of certain goods and services to continue as usual.

Insurance gives both direct and indirect employment opportunity. At present, around 3,000 people work in the insurance sector. Many others are also working as insurance intermediaries and as employees of corporate offices to deal in insurance matters.

BIRRITU: What is the current status of insurance in Ethiopia?

ISD: At present one state owned insurance corporation, Ethiopian Insurance Corporation (EIC), and 13 privately owned insurance companies are operating in Ethiopia. Among them, 8 insurance companies are engaged in both life and general (Composite) business, 5 of them in general insurance and one insurance company (Ethio-Life) exclusively running life insurance. There are also a number of insurance auxiliaries operating in the Country. For example, more than 50 brokers, around 55 loss assessors, two surveyors, more than 1,000 active insurance sales agents are operating in the sector.

If we look into the bigger picture, insurance in general and life assurance in particular have not yet developed in Ethiopia. The life insurance sector on average takes 5% of the total premium portfolio and 95% is accounted for by general insurance. The absence of domestic actuarial and loss adjustor services is also another challenge that the sector is exposed to.

The total assets and total capital of the sector as of June 30, 2011 were Birr 4.288 billion and Birr 946.3 million, respectively, registering 33 and 17 percent growth rate compared with Birr 3.220 billion and Birr 807.5 million in same period of the preceding year.

The total premium production of the industry for the year ending on June 30, 2011 was Birr 2.583 billion, registering 33 percent growth rate over the same period of the preceding year, which was Birr 1.939 billion. Profit after tax was also reported to be Birr 212.7 million which fell by 10 percent compared with the same period of the preceding year i.e. Birr 235.2 million. This was partly due to the increase in technical provisions of insurers that joined the sector very recently.

Overall, as of June 30, 2011, the insurance sector was healthy and sound. Capital adequacy (solvency margin) as measured by early warning test (EWT) ratio standard was found to be adequate.

BIRRITU: What is supervision and why NBE needs to supervise insurance companies?

ISD: "Trust" and "promise" are the driving philosophies for insurance. The former is cited from the side of the general public which can also be explained by front end payment of premium. The latter applied on the insurance operators and fulfilled by rear end payment of compensation.

Supervision is, therefore, the process of making a super look, on special or full scale level, at the operations of the insurance companies centering on these philosophies.

Like any other financial intermediaries, insurance is highly regulated and supervised business all over the world. This is primarily due to the need to protect the interests of the policy holders and to ensure that the trust and confidence the public has on the insurance operators remains intact ongoing basis. Similarly, supervision is carried out to ensure that insurance operators are able to fulfill their promises towards the policyholders and with the view to maintain safe, sound and stable insurance sector.

If the trust and confidence the public have on the insurance operators is shaken, people will be less likely to go to insurance companies to take out insurance policies. As a result, many adverse impacts will follow. For instance, fund that can be mobilized by the sector and channeled directly or indirectly to the economy will be halted altogether. With the same magnitude investment will be at stake. This will negatively contribute its share to the retarded economic growth of the country.

These governing fundamentals put insurance as a highly fragile business and show the need to closely supervise it is mandatory and essential practice all over the world.

BIRRITU: What are the supervisory tools and methods currently applied by ISD?

ISD: There are a number of tools and methods applied by ISD to execute its supervisory duties. Primarily, the mandate to license and supervise insurance business is given to the National Bank of Ethiopia by Proclamation No. 86/1994. Different prudential and administrative directives have been issued and executed by NBE, which is expected to lay down a common level playing field. Good international practices which are relevant and applicable to our circumstances have also been adopted.

Secondly, in discharging its responsibilities, ISD is guided by a clear mission: *"To maintain safe, sound and stable insurance sector with the main focus of policy holders' interest protection"*. This mission is executed under the four supervisory pillars namely: regulation, licensing, supervision and enforcements.

Thirdly, following the implementation of BPR study, ISD adopted Risk Based Supervision (RBS) approaches. Unlike the traditional rule based supervision, RBS focuses on a structured methodology designed to establish a forward-looking approach. This permits a direct and specific focus on the areas of inherent and significant risks run within the insurance companies. It also enables ISD to be more proactive and better positioned to pre-empt and identify early any serious threat to the stability of both the individual companies and the insurance sector from any current or emerging risks.

Fourthly, the actual supervision is conducted in the form of integrated off-site surveillance and on-site examination. The former is executed based on quarterly financial returns and is office-based. The latter is carried out in the office of the subject insurer which again could be either full scale or special depending on the level of risk exposure of the company. Finally, during supervision, proclamation, directives, manuals, international best practices, insurance and accounting principles etc are used as the case warrants.

BIRRITU: On average how often does on-site examination take place?

ISD: The frequency of on-site examination on any one of the insurer essentially depends on the degree of risk run by the subject company. Those companies with high level of risk will be examined more frequently. As a policy, a company should at least be examined, at full scale level, once in two years.

BIRRITU: What are the major elements to be looked into during on-site examination?

ISD: On-site examination focuses on inherent and significant risks namely credit, market, liquidity, underwriting and claim settlement, technical provision, operational and IT, re-insurance, and contagion and related party risks etc. These are investigated first and rated individually and in aggregate terms. Then, risk mitigation system with special focus on corporate governance, risk management, operational management and internal control aspects are examined and rated. The combination of the inherent risk rating with that of the risk mitigation practice of the company would lead to the determination of the net risk position of the subject company.

Finally, capital and earning position is analyzed, with a view to gauge its capacity to carry the net risk and to arrive at the overall composite risk assessment rating (CRA rating). Depending on the level of CRA, that runs 1 to 5 (1 being low risk and 5 being high risk), the necessary intervention action will be determined and the execution will be followed up.

BIRRITU: What are the serious gaps encountered in implementing RBS?

ISD: Lack of adequate experience and knowledge to fully implement the RBS approach can be cited as the first. As the approach is new and involves high technicalities, knowledge and skill gap was observed in the beginning of the implementation of the system. A lot has been learnt through practice overtime and skill has been improving and gap is narrowing. Moreover, in house training and frequent discussion forums have been undertaken to enhance the technical skill of the staff of ISD on RBS. The other gap is that the board and senior management of the industry including their staff have not yet been well familiar with the system. To create awareness and to bring them on board, ISD staff is working closely with concerned bodies.

BIRRITU: How much improvement has been achieved as result of the implementation of RBS methods?

ISD: RBS unlike the rule based approach is basically proactive and forward looking. The system is helpful in efficiently allocating supervisory resources. It enables ISD to identify risks that exist sector wide and within individual company level structurally and early. This would help ISD to achieve its mission.

BIRRITU: What is the implication of unsupervised insurance companies?

ISD: No insurance company is left unsupervised irrespective of the degree of risks. Besides, quarterly off-site surveillance will be carried out to gauge the level of risk individual companies and the sector at large are exposed to. Special examinations can also be carried out any moment when the situation warrants.

BIRRITU: What can we look forward in the near future?

ISD: In general, the future of the insurance sector in Ethiopia is very promising. The potential and opportunities Ethiopia is endowed with such as population size, natural resources, economic growth, the country's vision to bring the people to the middle income category, will have positive impact on insurance.

In the recent past few years the insurance sector registered continuous growth in premium production, asset and capital volume and profit. This trend is expected to continue in the upcoming years as well. Insurance and economic growth (GDP) have direct and positive correlation. As the economy grows, demand for insurance definitely will rise. In simple terms, insurance as any other business is highly dependent on the performance of the economy.

The growth and transformational plan (GTP), has clear link, direct and positive impact on the insurance sector. The plan articulates that the economic growth will double within five years time, and so will insurance. In view of these, insurance operators need to think strategically, along side with the routine operations that they are in. This is again due to the fact that following the rise in the economy more insurance companies are expected to join the sector and hence the level of competition is expected to increase.

As the economy grows, the living standard of citizens will improve, wealth creation will increase and per capita will rise. As the meddle income segment of the population expands, the need for protection will rise. This would gradually trigger the rise in demand for insurance, both general and life.

It is also very important to look into the other side of it. Strong competition will be an inevitable reality, which can be seen from both national and global perspectives. To overcome the challenges, insurance operators need to look forward and start thinking and acting strategically. Building internal efficiency for international competitiveness could be fundamental to formulate strategies. It is high time insurance companies got prepared for the inevitable.

BIRRITU: Any final message?

ISD: As a final remark, ISD is keen to work together with the industry operators towards the common goal i.e. safe, sound and stale insurance sector, by promoting professionalism and ethical insurance business operations. Compliance to laws and regulations, adherence to good and prudent practices are essential prerequisite to ensure a level playing field and proper market conduct. Insurers on their part need to focus on strategies, side by side their routine operation, which enables them to identify, measure and control their respective strategic risks. Building their internal efficiency to withstand competition from both national and global perspectives is essential for success and to kick of the possible road blocks.

Development in the Microfinance Sector
First Quarter of FY 2011/12

As of September 30, 2011, thirty one microfinance institutions were serving about 2.7 million rural and urban low income people. The institutions have been providing different financial services in all of the regions except in Afar regarding which its licensing requests is under process.

As of September 30, 2011, the microfinance institutions mobilized savings to the tune of Birr 3.9 billion in the form of compulsory and voluntary savings. Furthermore, total assets, total outstanding loan, and total capital stood at Birr 10.2 billion, Birr 7.1 billion, and Birr 3.1 billion, respectively, indicative of the significant growth compared to the corresponding period of the previous year.

Performance of the Microfinance Sector

Particulars	September 30, 2011 {in million Birr}	September 30, 2010 {in million Birr}	Percentage changes
Total Deposit	3, 942.6	2,797.0	41.0
Gross Loan Outstanding	7,124.8	6,062.2	17.5
Total Capital	3,050.8	2,475.2	23.3
Total Asset	10,202.0	8,305.2	22.8

[1] Since September data of Benshangul Gumuz and Ghion is not available; we take June data for these two MFIs

Managing and Building on Institutional Knowledge

BIRRITU had a talk with Knowledge Management Team Leader, W/t Eyerusalem Nebiyu, about knowledge management work at the National Bank of Ethiopia (NBE), the work that has been done, the challenges, and prospects in the future.

BIRRITU: What is knowledge management about?

Knowledge management is about managing the knowledge of people in an institution related to its mission and the execution of its very important tasks. It is about the systematic storage, management, and dissemination of knowledge and experience acquired over a long time for the purpose of reuse, awareness and learning. It maintains the knowledge in the Bank and makes it shareable to others so that they can make use of the accumulated knowledge and experience in their work. The knowledge could be that of the Bank and/or individuals.

Knowledge management enables the retention of critical know-how which otherwise could only be obtained at a high cost. It makes possible the sharing of knowledge in a relaxed manner without incurring additional financial and time resources as well as avoiding the pressure associated with the need to learn so much in short time.

Knowledge Management has the objective to support the achievement of strategic business objectives. It does that through conversion of individual knowledge into corporate knowledge assets, providing visibility to subject-matter experts (SMEs) and facilitating them through technology that supports knowledge-sharing and collaboration. Knowledge contributions and sharing as well as re-use need to be encouraged and recognized at the individual employee as well as the organization levels.

Knowledge management aims at not necessarily managing all knowledge, but just the knowledge that is most important to an organization. It is about ensuring the right knowledge, in the right place, at the right time. The crux is to establish an environment in which people are encouraged to create, learn, share, and use knowledge together for the benefit of the organization, the people who work in it and the organization's customers. It also pools the collective knowledge of organizations in a manner that people constantly learn, and have a sense of belongingness and contributes to a wider team.

BIRRITU: What is the role of the Knowledge Management Team in this regard?

The work of Knowledge Management Team is to facilitate knowledge sharing and create as many channels as possible for gathering, sharing, and managing knowledge. The idea is to achieve a bank wide and centralized knowledge management system.

Knowledge management is a recent phenomenon. However, its use is not completely new. It is the structuring and the system that is employed to make maximum use of it that is new. Doing that requires selecting appropriate tools for the work at all levels.

BIRRITU: How do you go about gathering this knowledge?

Capturing the knowledge of an individual, packaging, and disseminating it take a lot of efforts. This requires interviewing, recording, thinking about the questions, and knowledge about the particular area of expertise of the individual. Doing this solves the problem that occurs when an experienced person leaves an institution.

Knowledge based exit interview should be used as a knowledge management tool by capturing the knowledge from those leaving the institution. It enables transfer of knowledge from an individual leaving an institution. It avoids the problem associated with the departure of an experienced person. However, this would be necessary if the knowledge sharing failed to be taken care of while the individual is in the institution. The aim of the interview should be to capture knowledge focused on what it takes to do the job. Even if the main responsible body for this is Human Resource Management Directorate, all work units have responsibility to collect such knowlege periodically.

Knowledge found in print format is far easier to collect, classify, store, and disseminate. Knowledge in records is handled in modernized manner in record center and library. It would be kept computerized and accessible to users, if possible 24 hours, with a username and a password. Knowledge is found and transmitted in various other forms like coins, notes and other objects too.

BIRRITU: What channels do you employ to share knowledge among individuals?

There are formal and informal social channels to share knowledge. Encouraging informal discussions is an important way of sharing individuals' knowledge. Formal situations tend to be frightening and appear to put pressure on people. Hence, facilitating the creation of informal situations creates a relaxed atmosphere for people to share their knowledge readily and willingly. Organizing get-together creates an interactive environment which could facilitate the informal knowledge sharing.

When new employees join NBE there is a need for orientation about the business of the Bank in general. It is important that people share their knowledge with the people close to them, to their peers, and others. Assigning a mentor to a newcomer employee to share knowledge about the work and the directorate is another way of doing the sharing.

We have created intranet and electronic publications, and staff papers, training materials, and so on are uploaded. It has one page called "share what you have" for **sharing similar information and request to be given to us so that we can share it to others. Some are giving us such kind of information so that we can share it. We also have a one page discussion forum although it is not yet put to use for sharing. Books, articles, journals, and other materials are coming in.**

We send news and information about the Bank extracted from different international magazines and local newspapers via outlook and post in the intranet as news clips. We are thinking about what we can add to it so as to make it as friendly as possible to users.

When people take part in workshops and similar events, have exposure visits, and projects, the findings and best practices should be shared with peer groups and others.

Change Management and Communication Directorate could play a significant role in this by identifying best practices in the Bank and disseminating it. And that would be one way for knowledge sharing.

BIRRITU: Is this knowledge sharing confined to one institution or goes beyond it?

Efforts are underway to create access to 20 government office resources and work has started with the Ethiopian National Archives and Library Agency to channel their resources. The Agency has already handed over the system to the National Bank of Ethiopia for it to be laid down. This is integrated library and record management information system in order to manage the system electronically and to hold the information of library and record collections.

So far classification and coding systems of records have already been created bank wide to make use of records effectively. Five directorates have been selected for pilot testing. Each directorate will have its own filing system based on their business but the Bank's structure would be maintained. We are done with that first phase and at the moment we have started with the rest.

If we can demonstrate the benefits and potential in this regard, we could ignite the appetite of everybody.

BIRRITU: How far have you gone in realizing your target?

Until now we have not accomplished much due to limitations of skilled man power and knowledge area. Most of what we learn comes from documents because there is no training for it. It is not that much known and exercised. We have tried to learn from other countries.

BIRRITU: What have you done to draw lesson from others?

We have tried to learn what we can from Malaysia and the World Bank. Visits to India and Malaysia during BPR study were also undertaken to see their experience on information and knowledge management. Documents from South Africa and National Archives and Library Agency were also obtained and used for record management.

Notice!

Dear Readers,

You are encouraged to contribute articles on issues that have to do with the finance sector in Ethiopia and others you think is relevant and educational to the finance community. By sharing your knowledge and experience as well as your ideas you will be doing the sector and the country at large a great service. Make the best of your ideas by sharing and contributing to make a difference! Please take note that we recognize and reward nominal amount to article contributors of all types!

ሰብአዊነት ውስጥ ያለ እንስሳ

የሰው ናስውነቱን በመሰረቱና በባህሪው ናሰብአዊን ነው:: በዚህ ሰብአዊነት ውስጥ ግን ሁለት ባህሪያት አሉት፤ ሰብአዊ እና እንስሳዊ:: ሰብአዊ ባህሪው ቢጤው የሆነውን የሰውን ልጅ እና ፍጥረታትን በሙሉ ፣ እንዲሁም ከነዚህ ውጭ ያሉ ማናቸውም ጉዳዩና ነገሮችን ከማንነቱ ጋር በሚጣጣም የእይታ ደረጃ እንዲመለከታቸው ያደርገዋል:: ማመዛዘን፤ አርቆ ማየት፣ ሆደ ሰፊነት፣ ተፈጥሮን ማክበር፣ እውቀትን ማሳደግ፣ ለዓለም ደህንነትና ለሰው ልጅ ሰላም መቆም፤ የመሳሰሉት በዚህ ረገድ የሚጠቀሱ ናቸው:: ከዚህ በመለስ ደግሞ ፍቅር፣ ይቅርታ፣ ለወገን መቆርቆር፣ መቻቻል፣ የሌላውን ጥቅም ማስቀደም፣ እንዲሁም ከነዚህ ጋር አብረው የሚሄዱ ሰውን ሰብአዊ ያሰኙት ሌሎች ብዙ ባህሪያትን ያቅፋል:: እነዚህ ሁሉ ደግሞ በተናጠልና በጋራ በዚሁ አቅጣጫ ግፊትና ስበት ይኖራቸዋል::

እንስሳዊው ባህሪ በበኩሉ እንደ እንስሳ እንድንሆን ጫና ያሳድርብናል:: የዱር እንስሳት ተ ፈጥሮ ጥላባቸው ምግባቸውን መግደልና መዘነጣጠል ዕለታዊ ተግባራቸው ነው:: ሰው ግን ሰው በመሆኑ ወደ እንሳሳ የሚገፋፋውን ስሜት ልጓም ያበጅለታል፤ ሊያበጅለትም ይገባል:: አይናችን ያረፈበትንና ወደ አእምሮአችን የገባውን ሁሉ አግባብነቱን ችላ እያልን የምንራወጥለትና ደፋ ቀና የምንልለት መሆን አይገባውም:: ያ ከመሆኑ በፊት በሰብአዊነት መነጽር ታይቶ ማለፍ አለበት:: ይህንን ፍተሻ ሳናደርግ ብንቀር በውስጣችን ካሉት ሁለት ባህሪያት ለየትኛው እንዳደላንና የትኛው እየገዛን እንደሆነ ግልጽ ነው::

በእንስሳዊው አገዛዝ ሥርዓት ውስጥ መዋልና ማደር ስንለማመድ፤ እያደረ "በአራት እግር" መጓዝ እየቀለለን "የሁለት እግር ጉዞ" ግራ እየሆነብን ይሄዳል:: ሲውል ሲያድር ደግሞ "ሰውየው"ከነጨራሹ ይረሳና ለይስሙላ እየተዜመለት ኑሮ በጫካ ያማልለን ይጀምራል:: በዚህ መሀል አልፎ አልፎ በተለያዩ አጋጣሚዎች ከዚህ እንድንመለስ የሚመጣ ጥሪ አስፈሪና የማይዋጥ ይሆንብናል:: የማያዋጣ የዋህነትና አደገኛ ጅልነትም መስሎ ይታየናል:: ስለሆነም በይስሙላ መልስ እያላገጥንበት እንቀጥላለን::

ይሁን እንጂ እንስሳዊውን ባህሪ ፈጽሞ ማፈንና ጸጥ ማድረግ በተግባር አሥቸጋሪ ነው:: ስለሆነም ይህንን እንስሳዊ ገጽታ ብቅ ጥልቅ አለ ብሎ መውቀስም ሆነ ለምን ሁሌም ታፍኖና ተረግጦ አልተያዘም ማለት አግባብ አይሆንም፤ ቢያንስ አንዳንድ ጊዜ ለአንድ አፍታም ቢሆን ግለሰቡን ሊቆጣጠረው ይችላል:: ምክንያቱም ሰዎች ስሜታቸውን መቆጣጠር የማይችሉበት ጥቂት ሁኔታዎችና ቅጽበቶች ይኖራሉና ነው:: ከዛ ባሻገር ግን ብቅ ጥልቅ ካበዛ ችግር መሆን ይጀምራል::

ይህ በእንዲህ እንዳለ እንስሳዊው ባህሪ ለተራዘመ ጊዜ ጐልቶ የሚወጣበት ወቅትም አለ፡፡ ይህም የግድ የሰብአዊውን ባህሪ መዳከም አያመለክትም፡፡ ተዳከመ ብለን ልንገልጸውም ከወደድን ጤናማ መዳከም ነው ሊባል የሚችለው፡፡

በመሆኑም ጤናማው የእንስሳዊው ባህሪ ጐልቶ መውጣት አልፎ አልፎ በሚያጋጥሙ ሁኔታች ብቻ የተወሰነ አይደለም፡፡ ይህ እንስሳዊ ባህሪ ለተራዘመ ጊዜ ጐልቶ የሚወጣባቸውም ጤናማ ሁኔታዎች አሉ፡፡ ከእነዚህ ዓይነቶቹ ሁኔታዎች ውስጥም ጦር ሜዳ፣ በአብዮት ወቅት፣ ሰዎች ጥቃት ሲያደርሱብን፤ ሊጠቀሱ ይችላሉ፡፡ እነዚህ ሁኔታዎች ውስጥ የሰከነው ሰብአዊ ባህሪ በሁኔታዎቹ ውስጥ ማድረግ ያለብንን ለመምራት ተመራጭ መሳሪያ አይሆንም፡፡ በእነዚህ ሁኔታዎች ውስጥ ከገባን በኋላ መቻቻል፣ ውይይት፣ የሌላውን ጥቅም ማስቀደም፤ ወይም ሌሎች መሰል መርሆዎች ተስማሚ እሳቤ አይሆኑም፡፡ ምክንያቱም ከተለመደው ሁኔታ ወጣ ያለ ባህሪ ያላቸው ሁኔታዎች ውስጥ እንድንገባ የተገደድን በመሆኑ የተለመደው ሰብዓዊ ባህሪ በእነዚህ ዓይነት ሁኔታዎች ውስጥ ለመንቀሳቀስ አስቸጋሪ ይሆናል፡፡

ይህ ግን ሰብአዊውን ባህሪ የሚያጐላው እሳቤ የእንስሳዊውን ባህሪ እንዲወጣ የሚያደርግ ሁኔታ ውስጥ ከመገባቱ በፊትና እንዳይገባ፣ ከተገባም በኋላ ለመውጣት እንዲሁም ሁኔታው ካለፈ በኋላ መልሶ ለመቋቋምና ለወደፊቱ ለመከላከል መመሪያ አይሆንም ማለት አይደለም፡፡ የሰብዓዊው ባህሪ ከእንስሳዊው ባህሪ ጋር ለምርጫ ውድድር መቅረብ መታሰብ ያለበት ጉዳይ አይደለም፡፡ እንደጠቀስናቸው ዓይነት አስገዳጅ ሁኔታች ሲኖሩ ብቻ ነው ለምርጫ የሚቀርቡትም፣ እንስሳዊውም ባህሪ የመመረጥ ዕድል የሚያገኘው፡፡

በሌላ በኩል እንደዚህ ዓይነት አስገዳጅ ሁኔታ ሲያጋጥም የሰበአዊነቱን ባህሪ ሙጥኝ ማለት ደግሞ አደገኛ ሊሆን ይችላል፡፡ ማለትም እንስሳዊው ባህሪ የአፈጣጠራችን ተፈጥሮ ብቻ ሳይሆን፤ በመሣሪያነት አልፎ አልፎ የምንፈልገው የአኗኗራችን ተፈጥሮአዊ አካልም ነው፡፡ ማለትም የጠቀስናቸው አይነት ሁኔታች ሲያጋጥሙን ሰብአዊውን ባህሪ አንለቅም የምንል ቢሆን፣ አንበሳው ሊዘነጣጥለን ሲመጣና ሲዘነጣጥለን እየተገላበጥን ጐናችንን እንደመስጠት ነው የሚሆነው፡፡ ሂትለር ስልጣን ከያዘ በኋላ ያሳይ የነበረውን አደገኛ ተስፋፊነትን በተመለከተ እንግሊዝና ፈረንሳይ ይከተሉት የነበረው የማያዘልቅ የማባበል መመሪያ ለዚህ ምሳሌ ሊሆነን ይችላል፡፡ በዚህም አያያዛቸው ብዙ ሀገራትን ለመከራ አመቻቹ፤ እነሱም ከመከራው ተቋደሱ፡፡ ይህ ሁኔታ በግለሰቦች፣ በማህበረሰቦች፣ እንዲሁም በሌሎች ስብስቦች መሀል ይከሰታል፡፡

ታዲያ ምን ያደርጋል በጣም ጥቂት ከሚባሉ ግለሰቦች በስተቀር አብዛኞቻችን ይህን ከየውስጣችን ያለ እንስሳ ልጓሙን እየፈታንለትና እየኮለኮልነው ማስገሳት ይቀናናል፡፡ በውስጣችን ያለው ሰብአዊነታችን ለማድረግ የሚከነክኑን ብዙ መልካም ነገሮች እንድናደርግ እና ማድረግ የምንፈልገውን ብዙ መልካም ያልሆኑ ነገሮች እንዳናደርግ ጫና ያሳድርብናል፡፡ ነገር ግን በስብዕናችን ላይ ስልጣን የያዘው እንስሳዊ ባህሪ በመሆኑ ይህ አይነቱ የሰብአዊነት ገጽታችን ጥሪ አብዛኛውን ጊዜ ተሰሚነት አይኖረውም፡፡ ተጨባጩ ሁኔታ የፈለገውን ያህል እንስሳ እንድንሆን የሚፈቅድልን ቢሆንማ ኖሮ ፈፅሞ ይለይልን ነበር፡፡ አቅም በፈቀደ የእንስሳዊው ፍላጐት ትዕዛዝ ሆኖ ሲገዛን ይኖራል፡፡

እንስሳዊው ገጽታ በበኩሉ ለቅጽበቱና በዕለቱ የሚቀለንና የሚያስደስተንን ሁሉ እንድንፈጽም ይገፋፋናል፡፡ መቻቻል ሲያቅተን፣ ለይቅርታ ልባችን ሲደነድን፣ በራስ ወዳድነት ሌሎች ላይ ጉዳት ስናደርስ፣ በራሳችን እንዲደርስ የማንፈልገውን በሌላ ሰው ስናደርስ፣ የዚህ ገጽታ መገለጫ ምሳሌዎች ናቸው፡፡ የዱር አውሬ ሲያድንና ሲጨክን ሆቴል ገብቶ ምግብ እንደማዘዝ ነው፤ እኛ ግን የሱ ምክንያት ሳይኖረን እንደእሱ ጨካኝ ሆንን፡፡

ይህ ከሰውነት ባህሪው ይልቅ ለእንስሳዊው የማድላት የጉን ውጋት መሆን በእውቀት እጥረት የመጣ አይደለም፡፡ ዞሮ ዞሮ የዕውቀት እጥረት እንጂ ሰውን መልካም ያልሆነ ነገር እንዲያስብና እንዲያደርግ ሌላ ምን ሊያደርገው ይችላል ካልተባለ በቀር፡፡ ይህ ማለት ግን ሁሉን መተላለፍ አግባብነት አለው ወደሚል አደገኛ ድምዳሜ ይወስደናል፡፡ አላዋቂነትን በምክንያትነት ማስቀመጥ ለመሳሳትና ለጥፋት ፈቃድ መስጠት ሊሆን ይችላልና፡፡

ስለዚህም የዕውቀት እጥረት በዚህ ረገድ የለም በሚለው እንቀጥል፡፡ ቢያንስ ሰዎች የሌላቸውን ነገሮች ለማግኘት በገበያ፣ በውጭ ሀገር፣ ወዘተ እንደሚፈልጉት ሁሉ በሰበአዊነት ዙሪያ ለሚኖሩባቸው ጉድለቶችም እንዲሁ መፈለግ ይችላሉ፡፡ ስለሆነም፤ ሰዎች በውስጣቸው ላለው ሰብአዊነት ከይስሙላ ጆሮ ያለፈ ሳይሰጡት ሲቀሩ ምን እያደረጉና ትክክለኛው መንገድ የትኛው እንደሆነ በሚገባ እንደሚረዱ በመቀበል እንቀጥል፡፡

ሁላችንም በየዕለቱ በቅርብና በሩቅ ስላሉ ነገሮች መሆን አለበት ስለምንለውና ለሚነሱ ችግሮች የምንሰጠውን የመፍትሔ ሃሳብ ስናጤነው የዕውቀት ችግር ያን ያህል አሳሳቢ

ሊሆን አይችልም:: የምናውቀውን ያህል እንሆናለን? የሚለው ጥያቄ ሌላ ጉዳይ ነው:: እርግጥ እውቀት ብለን የያዝነው ሁሉ አግባብ ነው ማለት አይደለም::

ሰብአዊነታችንን ለማድመቅ ጠለቅ ያለ እውቀት ለማግኘት በምንጭነት የተለያዩ ፍልስፈናዎች ከተለያዩ ቦታዎች እናገኛለን::

በመጀመሪያ፤ ሰው ከሰው ጋር ለመኖር በጋራ ጥቅም መገዛት እንዳለበት ቢያንስ በሀሳብ ደረጃ ሁላችንም እንገነዘባለን፤ በተግባር ብልጣ ብልጥነት እያሸነፈን ብንቸገርም:: በጋራ ፍላጐት ላይ የተ መሰረተ ህይወት ለመምራት ደግሞ እንስሳዊው ባህሪ ወሳኝ ድርሻ እንዳይዝ ማድረግ ያስፈልጋል::

ሁለተኛ፤ እምነትና ሀይማኖት ብዙ ሀሳቦችና መርሆዎችን በመስጠት ይታወቃሉ:: የሚጠቅመንን ነገር ለመውሰድ ደግሞ ግለሰቡ የእምነቱ ተከታይ መሆን አያሥፈልገውም::

ከዚህ ባሻገር፤ ሰዎች በሚኖሩበት ማህበረሰብና ባህል ውስጥ የሚገኙ እሴቶችና የስነ-ምግባር ማዕቀፍ ሰብአዊነትን የማድመቂያ መሣሪያ አድርገው መጠቀም ይችላሉ::

በተጨማሪ ብዙ የዕውቀት ምንጮች ይኖራሉ፤ ለጊዜው እያሳሰበን ያለው ከምንጮቹ ቀጂ ማጣት በመሆኑ ሌሎች ምንጮችን ማፈላለግ ይብቃን::

እነዚህ ሁሉ ሰብአዊነትን በማስታወስና ትክክለኛውን አቅጣጫ በመጠቆም፣ ስንተላለፍ ህሊናችንን በመሸንቆጥ በየጉዳዩና በየቅጽበቱ ይወተውቱናል:: ሰዎች እና በየደረጃው ያለው ሥርዓት እኛን ከመክሰሱ በፊት እነሱ እኛን ለመመለስ ይታገሉናል::

እውነቱ ይህ ቢሆንም ሰዎች ግን መንገድ አቋርጠው መማር የሌለባቸውን ይማራሉ፣ መሆን የሌለባቸውንም በመለማመድ ይጠመዳሉ:: አንድ ዓመት ሙሉ ሲወተውቱት ከከረሙት የሰብአዊ ባህሪ ናአስተማሪችን ይልቅ፣ ለአፍታ ጠቀስ ያደረገው አፈንጋጭ ባህሪ በውስጣቸው ያለውን እንስሳ እንዲያገሳ ያደርገዋል::

ይህ ደግሞ ሰው እና እንስሳ ወደዚህ ዓለም ሲመጡ ካለው ሁኔታ ጋር ይመሳሰላል:: የሰው ልጅ ተወልዶ በእግሩ ለመሄድና መናገር ለመጀመር የሚወስደውን ጊዜ፤ እንስሳት በተወለዱ ዕለት ከእናቶቻቸውና ከመንጐቻቸው ጋር በእግራቸው መሄድ ከመቻላቸው ሁኔታ ጋር ስናወዳድረው፤ ሰብአዊነትን መላበስ ምን ያህል አድካሚ መሆኑን እንረዳለን::

ደግነቱ አንድን ነገር ለማከናወን መቅለሉ ትክክለኛነቱን አመላካች ነው ብለን የማንወስድ ፍጡራን መሆናችን ይህ አሳሳቢ እንዳይሆን ያደርገዋል:: በተግባር በምናሳየው ባህሪ ግን አሳሳቢ ከመሆን ባያመልጥም::

እንስሳዊው ባህሪ ፊት በተሰጠውና በበረታ መጠን እንደ አደንዛዥ ዕጽ ይሆንብናል:: ይህም ሲሆን እንደ ዱር አራዊት በመዘነጣጠል ላይ የቆመ ህይወት ልባችንን ያማልለዋል:: ይህ ሱስ ከሆነ በኋላ የሚደረግ ጩኸት ሁሉ ሰሚ አያገኝም:: መታገል እዚያ ከመደረሱ በፊት ነውነ አፋፉን ካለፍነው በኋላ ቁልቁለት ስለሚሆን ወደ ሰብአዊነት ለመመለስ የምናደርገው ትግል በጣም ከባድ ይሆንብናል::

ይሁን እንጂ ምርጫው በእጃችን ነው:: በውስጣችን ያለውን እንስሳ ጉሽ ጉሽ እያልን አንገቱን እንዲያቀናና እንዲያገሳ የምናደርገውን ያህል፤ እሱን ረግጠን ሰውነታችንን እየኮተኮትን ሰው መሆን የሚገባንን ያህል ሰው መሆን እንችላለን:: ሰው በመሰረቱ ሰብአዊ ነውና ይህንን ባህሪውን በማነቃቃት ግዛቱን መልሶ መቆጣጠር እንዲችል ማድረግ የሚያሥችል አቅም አለው፣ የፈቃድ ጉዳይ አሳሳቢ ቢሆንም::

የሰው ሰውነቱ የሚጐላው በውስጡ ያለው እንስሳ ሲነቃቃበት በመርገጥና በማፈን፤ ሰብአዊነቱ ሲደክምበት ደግሞ ሲያነቃቃው ነው:: ይህም ሊሆን የሚችለው በግለሰቡ የነቃና የታሰበበት ጣልቃ ገብነት ነው:: አለበለዚያ የግለሰቡ የነቃ አመራር በጐደለ መጠን የሀይል ሚዛኑ ወዳደላበት የመጐተት አዝማሚያ እንይዛለን:: ይህ ደግሞ በደመነፍስ ለሚንቀሳቀሱ (እንስሳ) እንጂ ለሰው ልጅ የሚስማማ ባህሪ አይደለም:: ስለሆነም በዚህ መልክ ራስን መረን ላለመልቀቅ የሚረግጡትን መሬት እያዩ መሄድ የግድ ነው፤ በመልክ ሰው በባህሪ እንስሳ ከመሆን ለማምለጥ:: ነፋስ በነፈሰበት አቅጣጫ ከመሄድ ለመጠበቅ አስቀድሞ የታሰበበት አቅጣጫ ማስቀመጥና ያንንም ይዞ ለመጓዝ ጥረት ያስፈልጋል:: የምንከተለውን አቅጣጫ “ለእንስሳዊው ንፋስ” ውሳኔ መስጠት ለሰብአዊ ደረጃ አይመጥንምና::

(መስፍን ዘገዬ፣ ኢብባ)

Why Moody…?

Why do people behave civilized at work and not so at home? I mean everyone is so "Yes sir/mom", "Thank you sir/mom", "I'll be happy to do it sir/mom", "What else can I do for you Sir/mom"; yet when return home, the language gets nasty. Is it because people are paid to be nice, so they act nice for the money? Then there is this other phenomenal of adjusted good behavior at home, when visitors are around. What is that about?

First of all I fear that we got common meaning for "behaving as civilized". However, rather than searching for a common meaning, let's leave it as it's and try to see it from a different angle.

It's, I hope, better to say people behave in some different way at work than at home. In addition to that, to be more specific, people may also behave differently in diverse working environments. Here one would tell us that since human beings socialize faster, people may or won't behave as the environment they are working or living in. Therefore, it would easily be concluded that working/living environment contributes for one to behave in one or another way.

Not only the environment, but also systems (Institutional/organizational laws, regulations, proclamations...) which we must adhere to determine the way we behave. For instance, a banker may behave in some different ways than a teacher or other professional.

The systems and the environments we live in (at home) are a bit loose and free of adherence than the system and environment we work in (at office). If people didn't adhere to the system and act as the environment at work, we will not survive as being part of it. So, we adhere to systems and act as the environment we work in. *Therefore, we behave in some different way at work than at home.*

One may also ask *why people adjust themselves to a kind of "good behavior" when visitors are around?* As I tried to indicate above, there are systems which we must adhere to and people know that the right way is through those systems. Adherence to Systems is the right decision to follow for the sake of stable, peaceful and secure social environment. However, people love their personal freedom and or in simpler terms their being free more than adherence to the systems (the right way). This is the point where people may adhere to their own interest/freedom at the expense of adhering to the systems. However, people don’t want to be seen as a law/system breaker or they don’t want to be seen being against the environment/social system. Therefore, they adjust themselves to their faulty self.

The two possible reasons seemingly indifferent (The environment and Systems) are related to external causes and another likely cause for one to act in one or another way might also be related to one's nature.

(Ahmed Muhammed, NBE)

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Micro Finance Institutions

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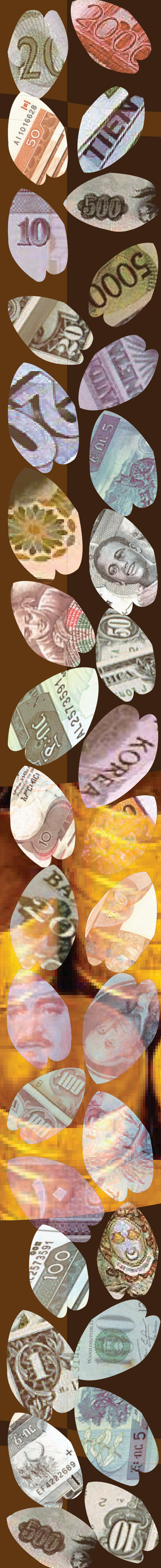
3	Oromia Credit and Saving Institution S. Co.	011-552465344	251-011-5534871
4	Omo Micro Finance Institution S. Co.	046-2202053	251-046-2202052
5	Specialized Financial and Promotional Institution S. Co.	011-6622780/1	251-011-6614804
6	Gasha Micro Financing S. Co.	011-6558830-34	251-011-2756399
7	Wisdom Micro Financing Institution S. Co.	011-6463569	251-011-6293346
8	Sidama Micro Financing Institution S. Co.	046-2204704	251-046-2204704
9	Africa Village Financial Services S. Co.	011-6532052	251-011-3728771
10	Buusaa Gonofaa Micro Financing S. Co.	011-5544072/93/96	251-011-4654045
11	Poverty Eradication & Community Empowerment Micro Financing Institution S. Co.	011-6521541/42 6616985	251-011-6616985 251-011-4654088
12	Meket Micro Financing Institution S. Co.	033-2110082/033-2110037	033-211-0019/82
13	Addis Credit and Saving Institution S. Co.	011-1572720/110919	251-011-1573124
14	Meklit Micro Finance Institution S. Co.	011-5512109/5507964/ 132393	251-011-5504941
15	ESHET Micro Finance Institution S. Co.	011-3206451	251-011-3206452
16	Wasasa Micro Finance Institution S. Co.	0911673822	---
17	Benishangul-Gumuz Micro Financing S. Co.	057-7750666/057-7752466	251-057-7751734 251-057-7750060
18	Shashemene Eddirs Yelimat Agar Micro Financing Institution S. Co.	0461102052/1103881	251-046-1101534
19	Metemamen Micro Financing Institution S. Co.	011-6615398	251-011-6186140
20	Dire Micro Finance Institution S. Co.	025-1119246/47	251-025-119246/47
21	Aggar Micro Finance Institution S. Co.	011-6183382	251-011-6183383
22	Letta Micro Finance Institution S. Co.	011-6636947	---
23	Harbu Micro Financing Institution S. Co.	011-610016/0911306554	251-011-6180654
24	Ghion Micro Financing Institution S. Co.	011-504408/1238338/226771	251-011-5504409
25	Digaf Micro Credit Provider S. Co.	011-2132928 / 2787390	251-011-277211
26	Harar Micro Finance Institution S. Co.	025-6663745/025-6664078	251-025-6661628
27	Lefayeda Credit and Saving S. Co.	011-6296976	251-011-6620827
28	Tesfa Micro Finance Institution S. Co.	011-5526205/0911234229	251-011-5512763
29	Gambella Micro Financing S. Co.	047-5511271	251-047-5510892 510277
30	Dynamic Micro Finance S. Co. (Approved 23/03/09)	011-5526205/5540390	251-011-6623685
31	Somali Micro Financing S. Co.	257-752122	257752099



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