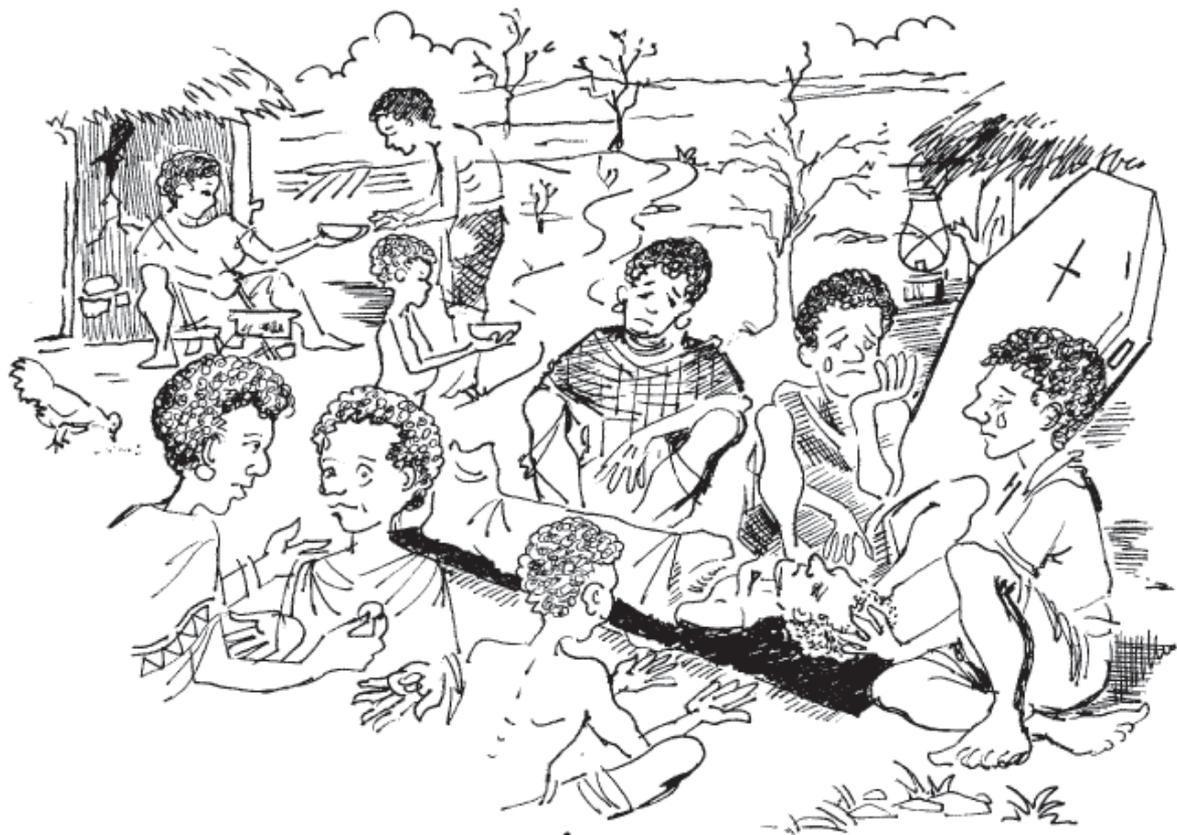


Collective Action and Vulnerability: Burial Societies in Rural Ethiopia



Collective action has intrinsic value. Being part of a group and participating in meeting common objectives provide direct benefits to individuals. In addition, collective action has an instrumental value; it can help individuals, groups, and communities achieve common goals.

In Ethiopia, a study found that one form of collective action, *iddir*, or burial societies, helped households in the study areas attenuate the impact of illness.

SOURCE:

Dercon, S., J. Hoddinott, P. Krishnan and T. Woldehanna. 2008. *Collective Action and Vulnerability: Burial Societies in Rural Ethiopia*. In: Mwangi, E., H. Markelova and R. Meinzen-Dick, *Collective Action and Property Rights for Poverty Reduction: Lessons from a Global Research Project*. International Food Policy Research Institute, Washington, D.C.

Shocks in Rural Ethiopia

Shocks are adverse events that lead to a loss of household income or productive assets or a reduction in consumption. They may be climatic, economic, political/social/legal, criminal, or health-related. Virtually all households experience shocks, the most common of which are drought, death,

and illness. Analysis within the study showed that experiencing drought at least once in the previous five years and experiencing illness were the only shocks that had a statistically significant effect on consumption. Disaggregating the data reveals that drought shocks have more severe effects on female-headed and poorer households, and illness shocks matter much more where malaria is common.

Networks, Groups and Collective Action

To better understand social networks and collective action, in 2004, households were asked about the five most important people they could rely on for support in time of need, within the village and elsewhere, as well as other people they could rely on in time of need. Over 90 percent of households reported that there was at least one person they could rely on for assistance, and the median number of people in households' networks was five. There was evidence that households do indeed call on these networks, and there was also evidence of reciprocity.

Most network relationships were neighbors, fellow villagers, relatives, and people holding adjacent properties. Only 12 percent of network members were neither relatives nor members of the same *iddir* (burial society). Network members were often individuals from whom previously the household had borrowed or lent to.

Poorer households have relatively better-off households in their networks, while richer households tend to have relatively poorer households in their networks. However, when the number of oxen was used as the wealth measure, households typically had as network partners other households with the same numbers of oxen.

Networks tended to be quite variable when looked at by age; the difference in age between the household head and other individuals in the network, who were either relatives or members of the same *iddir*, was considerable.

Study Method

The data in this paper are from the Ethiopia Rural Household Survey (ERHS), a unique longitudinal household data set covering households in 15 areas of rural Ethiopia. Data collection began in 1989 and was expanded and re-randomized in 1994 to yield a sample of 1,477 households broadly representative of the population shares in Ethiopia's three main sedentary farming systems. Survey rounds continued through 2004 and were supplemented with qualitative data gathered separately.

The surveys revealed that these households are very poor, with mean incomes about 36 percent below the poverty line, and that agriculture provides the dominant source (about two-thirds) of income.





Households with more landholdings have larger networks. The same is true for larger households and households where the head has any formal schooling. Family background also plays a role: having a parent or relative with important social or political positions in the village, or a father who belongs to an *Iddir*, increase the number of persons in a household's network.

Iddir and Their Role in Mitigating Shocks

- **Membership Benefits.** Members of *Iddir* typically meet once or twice a month, making a small payment into a group fund. When a member dies, the *Iddir* makes a payment to surviving family members. *Iddir* membership is widespread: nearly 90 percent of households in the study reported belonged to at least one. Most *Iddir* have no restrictions on membership beyond paying dues and fees. In addition to the death benefit, a third of *Iddir* provide cash payouts to members when they have experienced other types of adverse shocks, such as drought and illness, and a quarter offer loans. *Iddir* that provide health insurance allow households to fare better during a health-related shock. However, the groups cannot insure households against shocks that affect the whole community.
- **Approach to Group Insurance.** Similar to other mutual insurance schemes, *Iddir* has to deal with problems of moral hazard and adverse selection. To deal with moral hazard, most *Iddir* impose some sort of restriction, the most common of which is that geographic members must live in the same peasant association (PA). Other common restrictions include belonging to the same church or mosque, or being a woman. Restricting members geographically makes it easier to learn about members and monitor their behavior. The same is true about the requirement for common church or mosque membership. Direct medical costs are observable. For example, one *Iddir* reported that "If a member takes the money for medication and does not go to the clinic or hospital, he will be asked to return the money." About a third of the *Iddir* in the study had formal checks in place to make sure funds were spent on medical costs. In addition, a considerable number conducted background checks prior to approving a grant or loan, visiting the member at home or asking neighbors to confirm that assistance was needed. Adverse selection was dealt with by imposing a membership fee, which discourages members who anticipate having to incur medical expenses and accessing *Iddir* funds in near future from joining.
- **Avoiding Financial Difficulty.** *Iddir* take a number of steps to reduce the likelihood that the provision of health insurance will lead to financial difficulties for the group.

1. *Age*: The considerable variation in ages members, which will affect spreads risk across generations — young members contribute while older members are more likely to have age-related illnesses. Youth-only *Iddir* are less likely to provide health-related assistance.
2. *Size*: Groups of larger size are less likely to provide health-related assistance.
3. *Funding*: The amount of money provided to members is tied fairly tightly to the amount collected. The average cash grant provides an amount equal to one month's income and the maximum cash grant is slightly more than two months' income. Loans as a ratio of monthly income tend to be higher than cash grants, but about 75 percent require repayment within three months. In addition, most impose sanctions if members do not repay.

Conclusions and Policy Implications

Local collective action, as exemplified by the *Iddir*, enables rural communities to deal with health-related and other shocks that occur to individual households. Public action and policy that support forms of collective action in this area must recognize that successful collective action is based on norms of trust and reciprocity. As trust is easier to destroy than create, the principle of “do no harm” is important here, particularly when government actions are aimed toward existing collective action institutions.

As wealthier and better educated households tend to participate more in groups and have larger networks, more attention needs to be paid to identifying barriers that prevent other segments of the population from participating in collective action. Realism is also needed in terms of the ability of collective action to respond to shocks. Specifically, where households have limited ability to develop spatial networks, collective action may have limited ability to respond to widespread shocks such as drought. Direct public action is more appropriate in this area.

Suggested Readings

- Dercon, S. 2002. *Income Risk, Coping Strategies and Safety Nets*. World Bank Research Observer 17 (2): 141 166.
- Dercon, S., J. De Weerd, T. Bold and A. Pankhurst. 2006. *Group-Based Funeral Insurance in Ethiopia and Tanzania*. World Development 34 (4): 685 703.
- Grootaert, C. 2001. *Does Social Capital Help the Poor? A Synthesis of Findings and Recommendations from the Social Capital Initiative*. Social Capital Initiative Working Paper 24. Washington, D.C.: Social Development Department, World Bank.