WEATHER INDEX INSURANCE IN PRACTICE, ETHIOPIA

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I. Market Based Risk Transfer (NYALA’ S Experience)

- In the first two years 947 farmers were insured under two unions, four weredas under DT-multiple perils cover.
- In the 3rd year this number increased to 2000.
- The cover was for their Teff, Wheat, Lentil, Haricot bean and chickpea crops.
- The potential total farmers under these unions are 47,000.
• 200 farmers of Teff growers in Kola Tenben wereda (Adi ha) are insured under weather index (in cooperation with OXFAM)

• 137 small holder farmers of haricot bean growers in Boset Wereda (Boffa) insured under weather index (in cooperation with WFP)
II. Boset Weather Index Pilot Insurance

1. Objective

- This pilot intends to protect the livelihoods of small scale farmers, who are vulnerable to severe and catastrophic weather risks particularly drought.
- Enhance Small holder farmers access to Credit for agri. Inputs by using cooperative unions as Chanel.
- Enabling the development of Ex-ante market based risk management mechanism which can be scalable in the whole country.
2. Target Group

- Small holder farmers (0.5 ha)
- Members of Lume, Adama farmers cooperative union (LAFCU)
- Haricot bean/Teff/Serial growers
- Have little or no savings to buy agricultural inputs
- Need to buy the inputs on credit from the union through insurance guarantee.
- Vulnerable to weather risk esp. deficit rainfall (drought)
3. Contract Design

Pilot area was selected based on:

- Availability of weather station
- Vulnerability and occurrence of deficit rainfall (drought)
- Willingness of the Union/farmers to cooperate
- Existence of demand (need) for weather insurance
# Rainfall Deficit Computation Panel for haricot beans in Boffa

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<thead>
<tr>
<th>Date</th>
<th>Rainfall [mm]</th>
<th>Expected Rainfall [mm]</th>
<th>Deficit [mm]</th>
<th>Total Phase Deficit [mm]</th>
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<tbody>
<tr>
<td>Jul 1 - Jul 10</td>
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<td>Jul 11 - Jul 20</td>
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<td>Jul 21 - Jul 31</td>
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<td>Aug 1 - Aug 10</td>
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<td>Sep 21 - Sep 30</td>
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Boffa H.beans Farm
NISCO’s Agronomist discussing with farmers
III. CHALLENGES & SCALABILITY

Major Challenges:

- Infrastructure esp. weather Sts.
- Limited Weather Data
- Basis Risk
- Reinsurance
- Technical knowhow/Capacity
- Farmers upfront paying capacity
- Marketing
• Scalability:
  • High potential Demand
  • Well Structured Unions & MFIs
  • Diversification/Various products
  • Gov’t support