



Weather Index Insurance Workshop

18th September 2010

Westin Grand Arabella Quays Hotel,

Cape Town, South Africa

Sponsored by Alliance for Green Revolution in Africa (AGRA)

WORKSHOP SUMMARY

The Department of Economics, University of the Western Cape, in collaboration with its international academic research partners and with financial support from AGRA (Alliance for a Green Revolution in Africa, Nairobi), is proud to announce a pre-conference workshop that will be held alongside the AAAE (African Association of Agricultural Economists). The workshop seeks to gather researchers, practitioners, government policymakers, insurers, bankers, agricultural producers, and representatives of non-governmental organizations and share views and experience around weather index insurance, its applicability and suitability as a risk-assistance tool for millions of smallholder farmers in Africa. The workshop is to be held following numerous trials and experiments with weather-index insurance on-going in many developing countries around the world. Weather-index insurance is an innovative insurance contract design that indemnifies the insured based, not on verifiable farm-level losses, but on the value of a variable such as rainfall, temperature, or satellite-measured vegetation density index that is highly correlated with agricultural production losses due to droughts, floods, or other natural disasters. Weather-index insurance is currently being promoted across the developing world, including parts of Asia and South America, as a means of replacing traditional ad-



ad-hoc disaster assistance in national economic planning and disaster management. In Africa countries like Malawi, Kenya, Mali and Ethiopia are currently piloting and championing weather-index insurance programs. Such programs, however, are still missing across most of Africa.

Weather-index insurance is designed to address the risk-management problems facing agricultural producers in developing countries where rural financial markets are underdeveloped or nonexistent. Weather events of extreme magnitude like the great drought of 1991/92 that devastated Southern Africa and the extreme drought currently affecting Kenya and other East Africa countries are reminders of how vulnerable smallholder farmers are to weather-related risks. Vulnerability to extreme weather events is often responsible for trapping millions of households in vicious cycles of poverty. Although weather-index insurance offers many potential advantages to lower-income countries, developing viable weather-index insurance markets for Africa is a challenging undertaking.

Workshop Objectives:

The general objectives of the conference are:

- Reviewing the performance of weather-index pilot projects in Africa and assessing the suitability of using weather-index insurance to manage catastrophic agricultural risk in other parts of Africa; drawing lessons from the experiences gained in weather-index insurance programs currently operating in Asia and Latin America;
- revisiting the effectiveness of land reform and ad-hoc disaster relief programs currently practiced in Africa;
- exploring the potential benefits of using weather-index insurance to support the development of micro-financial and micro-insurance markets in Africa; and
- addressing the risk-management challenges posed by long-term climate change in Africa.



WORKSHOP PROGRAM

September 18th

Time	Activity
08:00-08:30	Registration
08:30-09:00	Welcome remarks – Minister of Agriculture, Forestry and Fisheries – Hon Joemat-Petterson
09:00-09:30	Keynote address – World Bank – Marc Sadler
09:30-10:00	Paper 1: Challenges and potential for weather index insurance: Experience with Mongolia – Jerry Skees
10:00-10:30	Paper 2: Insuring against drought-related livestock mortality: Northern Kenya Pilot Project – Andrew Mude
10:30-11:00	Tea and coffee break
11:00-11:30	Paper 3: Use of weather insurance as a tool to reduce food security and vulnerability: case for Ethiopia – Elliot Vhurumuku
11:30-12:00	Paper 4: Experience and challenges with weather index insurance: case for Malawi – Shadreck Mapfumo
12:00-12:30	Paper 5: Potential for index insurance as an agricultural risk and disaster management tool in Kenya – Isaac Magina



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12:30-13:30	Lunch break
13:30-14:00	Paper 6: Weather index insurance in the emerging climate change adaptation regime: Lessons learnt and way forward – Ulrich Hess
14:00- 14:30	Paper 7: Can index-based agricultural insurance ever become economically viable? – Hans Binswanger
14:30-15:45	Group discussion break sessions
15:45-16:00	Tea and coffee break
16:00-16:30	Summary of Lessons learnt and Best way forward
16:30-17:00	Close remarks
September 22nd	
TBA	Paper 8: Systemic risk, index insurance and optimal management of agricultural loan portfolios in developing countries – Mario Miranda
TBA	Paper 9: Catastrophic drought insurance based on remotely sensed vegetation condition index for smallholder farmers in Zimbabwe - Makaudze
TBA	Paper 10: Designing index-based safety nets for village Africa – van der Boom