

## Drought Insurance for Ethiopian Farmers

The absence of rainfall during critical cropping times is one of the biggest risks to subsistence farmers in the Horn of Africa region. Droughts such as the 2011 East Africa Drought have threatened millions of livelihoods. In collaboration with the Ethiopian Ministry of Agriculture and the Japanese International Cooperation Agency (JICA), CelsiusPro designs and structures weather index insurance for smallholder farmers to pay out in the event of rainfall deficit.

The Rural Resilience Enhancement Project (RREP) is a joint effort between the Ethiopian Ministry of Agriculture and JICA covering support with irrigation, livestock and weather index insurance. CelsiusPro was engaged to design and structure suitable drought insurance and to support the RREP team locally with the technical introduction, education and marketing.

After the successful pilot project in 2013 the program is now being expanded to further regions. For the pilot project the RREP team and the local insurance provider Oromia Insurance Company had selected 15 villages (kebeles) where the unsubsidized insurance was made available. Nearly 1,300 farmers purchased the drought insurance for crops such as teff, sorghum, wheat, maize and haricot beans.

For the 2014 program, the number of villages was increased to 45. After the drought insurances were designed and priced according to local climatology and farmers needs, CelsiusPro joined the RREP team in Addis Ababa to conduct trainings for farmers unions, cooperatives and development assistants.



### 5 Steps in Weather Index Insurance Design

- 1) Collecting weather data and agri information
- 2) Conducting focus group discussions
- 3) Analyzing historical drought years
- 4) Quality-checking draft indices, and
- 5) Pricing and marketing of the product

### Key Features of the WII

- Pays out for rainfall deficit
- Based on satellite rainfall data
- Automatic payout – no claims
- Designed to make a minimum payout of premium amount
- Unsubsidized

The purpose of the trainings is to educate participants on the basic functions and mechanics of weather index insurance. Once the training is completed, participants start with the groundwork in the field consisting of awareness creation meetings for farmers, on-site education, farmer's registration and sales. As unions, cooperatives and development assistants will be the first level contact for farmers it is crucial for them to understand the technical aspect of the products. In the upcoming weeks the drought insurance is being distributed in the Oromia region in Ethiopia with sales ending towards April.

For the subsequent years a further roll-out is planned. Ultimate goal is to make weather index insurance a product as widely-available as possible.

