



Joint News Release

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WEATHER INSURANCE POLICIES OFFER LIFELINE TO FARMERS IN DEVELOPING COUNTRIES

DAVOS – Weather insurance can have a sustainable role in protecting poor farmers from going bankrupt after drought or floods, according to a study released today by the United Nations World Food Programme (WFP) and the International Fund for Agricultural Development (IFAD).

The new study, released at the Global Risk Forum in Davos, shows that weather index-based insurance, issued before the planting season begins, can be more effective at protecting farmers' livelihoods than providing emergency aid after bad weather has wiped out their crops.

“Every day, we see the effects of weather-related hunger on the people we assist. Weather insurance can reduce the need for costly emergency operations by preparing for the disaster, rather than reacting to the aftermath,” said Carlo Scaramella, WFP’s Climate Change and Disaster Risk Reduction Coordinator. “Not only can it help poor rural households reduce their risk in the face of weather shocks, it can also unlock other opportunities, such as access to credit, helping people invest in a better future.”

Kevin Cleaver, Associate Vice-President, Programmes at IFAD said, “Weather insurance is mutually beneficial as it supports small farmers to better address risk in their agricultural activities, and encourages additional private-sector investment in rural areas, something IFAD believes can further support small farmers and their communities.”

The study, supported by the Bill & Melinda Gates Foundation, was conducted by the IFAD-WFP Weather Risk Management Facility. Experts analysed 37 insurance programmes around the world, identifying key principles to help index-based insurance become a more widely-used tool to protect communities against weather-based food emergencies, and outlining how donors and governments can support the sector.

Weather index-based insurance sets out an objective parameter, such as the level of rainfall, at a specific location, during an agreed period. The terms of the contract correlate as closely as possible with the loss of agricultural production suffered by the farmer. All policyholders within the same area receive payouts based on rainfall measurements at the weather station close to their farms, eliminating the need for expensive, time-consuming loss assessments in the field.



Ethiopian bean farmer Shuma Bejiga took part in one of the insurance programmes that was examined in the study. He received an insurance payment in 2009, after two successive years of poor rains.

“We were expecting the short rains in March and April but they only started in June. To make things worse, the rain then stopped at the flowering stage of the crops, so they never had a chance to develop,” said Shuma, who supports his wife and ten children with the proceeds of his farm. “This insurance payment is the first I have received and it covers much of my loss. I really appreciate the payment; it will at least take us through the next few months.”

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The study, titled: “Potential for Scale and Sustainability in Weather Index Insurance for Agriculture and Rural Livelihoods” is available online at: www.wfp.org/disaster-risk-reduction and at: <http://www.ifad.org/ruralfinance/pub/weather.pdf>

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The International Fund for Agricultural Development (IFAD) works with poor rural people to enable them to grow and sell more food, increase their incomes and determine the direction of their own lives. Since 1978, IFAD has invested over US\$12 billion in grants and low-interest loans to developing countries, empowering more than 370 million people to break out of poverty. IFAD is an international financial institution and a specialized UN agency based in Rome – the UN’s food and agricultural hub. It is a unique partnership of 165 members from the Organization of the Petroleum Exporting Countries (OPEC), other developing countries and the Organisation for Economic Co-operation and Development (OECD). For more details on the WRMF see: www.ifad.org/ruralfinance/wrmf/index.htm

WFP is the world's largest humanitarian agency, working to put hunger at the centre of the international agenda, promoting policies, strategies and operations that directly benefit the poor and hungry. WFP is the world’s largest humanitarian agency fighting hunger worldwide. Each year, on average, WFP feeds more than 90 million people in more than 70 countries. As the food assistance arm of the UN, WFP uses its food to meet emergency needs and support economic and social development. WFP also provides the logistics support necessary to get food to the right people at the right time and in the right place. WFP now provides RSS feeds to help journalists keep up with the latest press releases, videos and photos as they are published on WFP.org.