

Interim findings

Weather insurance for Ethiopian farmers

The research project ‘The cost effectiveness of integrating weather index agricultural insurance into the Productive Safety Net Programme (PSNP) in Ethiopia’ investigates whether or not weather index insurance (WII) can be a form of social protection and integrated cost effectively into existing national social safety net interventions. It aims to compare the impacts and cost effectiveness of three different social protection scenarios – the PSNP, the PSNP and WII, and the PSNP and Agricultural Input Coupons (AIC) – among poor rural households in Ethiopia. The following are the baseline findings and policy messages.

Baseline findings:

- The households in our sample study are smallholder farmers with low-level per capita food consumption. On average, a household owns less than one hectare of land (about 2.37 tsimad) and the per capita value of household food consumption is about ETB 50.94 (2.43 USD) per week.
- The farmers in our study are poor PSNP members. The average farmer (household) in our sample has cash savings of ETB 454 (21.6 USD) and owns livestock worth ETB 5,450 (259.5 USD). Livestock are the main asset owned by farmers in rural Ethiopia.
- Our baseline findings also report that PSNP beneficiary farmers spend a small amount of money on agricultural technologies. On average, a household spends ETB 764 (36.4 USD) on chemical fertilizer and ETB 261.5 (12.5 USD) on hybrid seeds, per agricultural season.
- Results from a related study in Ethiopia by member researchers of this project show that weather index insurance has a positive and significant effect on the adoption of technology by farmers, agricultural yields and access to finance.

Policy messages:

- Consider additional interventions, such as WII and AIC, to supplement the PSNP: The baseline report shows that members of the PSNP are generally poor with a low level of consumption. Unless additional interventions help those PSNP members to improve their productivity, it will be difficult for them to graduate from the PSNP. Policies aimed at integrating the PSNP with WII and/or AIC in a cost effective way can help to speed up graduation.
- Consider weather index insurance as part of social protection policies: Weather index insurance has been shown to play a role in improving the adoption of technology by farmers, agricultural yields and access to finance. This implies that social protection policies aimed at insuring rural households against rainfall shocks may create opportunities for investment, savings and economic growth.

Contact:

Prof. Alex Wong, research project leader, wongholun@ln.edu.hk

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