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A Qualitative Approach to Understand the Potential of Weather Indexed Crop Insurance to Help Ethiopian Farmers Cope with Risks

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Abstract

The ineffectiveness and problems of traditional mechanisms for households to adapt to and cope with climate variability creates a need for alternatives, especially with the expected increase in the frequency and severity of extreme climatic events. This study explores the potential of weather indexed crop insurance (WICI) to help farmers cope with weather-related risks in two villages in central Ethiopia where WICI for drought was available. To understand weather-related risks, existing coping mechanisms, and opinions of and experiences with WICI, a qualitative approach was employed. Focus group discussions with smallholders in three villages as well as semi-structured interviews with key stakeholders were conducted. The main analysis is based on focus group discussions held separately with policyholders and non-policyholders in two villages where WICI was available. Two additional focus group discussions which took place in a village where multi-peril insurance was available offer interesting comparisons. Transcripts from the focus group discussions were analysed with a computer software program, Atlas.ti. The analysis highlights the failure of WICI to enable smallholders to cope with major weather-related risks as policies insured against drought only, whereas farmers reported suffering from other natural disasters as well. Moreover, the demonstrated and self-reported lack of understanding about WICI among policyholders not only reduces the sustainability and adoption of WICI, but also decreases the potential of WICI to enable households to take more production risks such as increased fertiliser use. Based on the findings, we recommend increasing smallholder involvement in the design of WICI policies and offering more effective training about WICI to potential policyholders. This study demonstrates that a “one size fits all” approach to WICI may not be appropriate in villages where farmers live with diverse weather-related risks. Therefore, insurance companies should consider providing a variety of WICI products within villages. This would allow smallholders to insure against natural disasters they consider most significant based on their production system.

Keywords: Coping mechanisms, Ethiopia, natural disasters, risk, weather indexed crop insurance