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Perception and Adoption Processes Regarding Index-Based Insurance for Managing Climate Risks in Agriculture in Benin

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Abstract

Agricultural production, pillar of food security and economic growth in African low-income countries, is genuinely affected by climate change. Nowadays, index-based risk transfer products occupy an important place in international discussions on coping and adaptation strategies. This study was carried out in rural Benin to investigate adoption processes in order to provide likely pathways of success of such mechanisms well believed to improve livelihoods of agricultural households. Sixty cotton and food crops farmers in the district of Banikoara in northern Benin, regularly courted by three companies, promoters of index-based insurance, supplied empirical data through semi-structured interviews. The mixed approach used has combined content analysis of key informant discourses and statistics. Spearman's rank correlation was used to supply local index-based insurance model suggested by farmers. The results showed that: (i) the problems of existing agricultural funding mechanisms, the recent national scandals over money investment and the lack of outreach services lead to the rejection of crop index-based insurances in rural areas; (ii) the involvement of authorities in charge of agriculture in the shaping and the monitoring of insurance products as well as the engagement of farmers' organisations in decision-making and extension processes represent an important safeguard for grassroots farmers; (iii) index-based insurances are blamed to be weakly specified in respect of the heterogeneity prevailing in agricultural communities and the climate risks diversity; (iv) farmers opt for an insurance model which cover three major hazards (droughts, floods, crop fires) and simultaneously two crops (cotton and one food crop) with some margins for animal divagations. The potentially adoptable insurance contract includes a one-year trial agreement, a monthly willingness-to-pay of 5000 FCFA (\$10), a quarterly option to pay and a systematic compensation during the same month of unforeseen damages. Integrating this endogenous design in climatic insurance policies should help improving farmers' capacity to adapt to environmental changes so as ensuring production systems sustainability.

Keywords: Agriculture, Benin, climate change, index-based insurance, perception and adoption processes