

Climate Risk Insurances in Zambia. Enhancing Climate Resilience in the Easter Province

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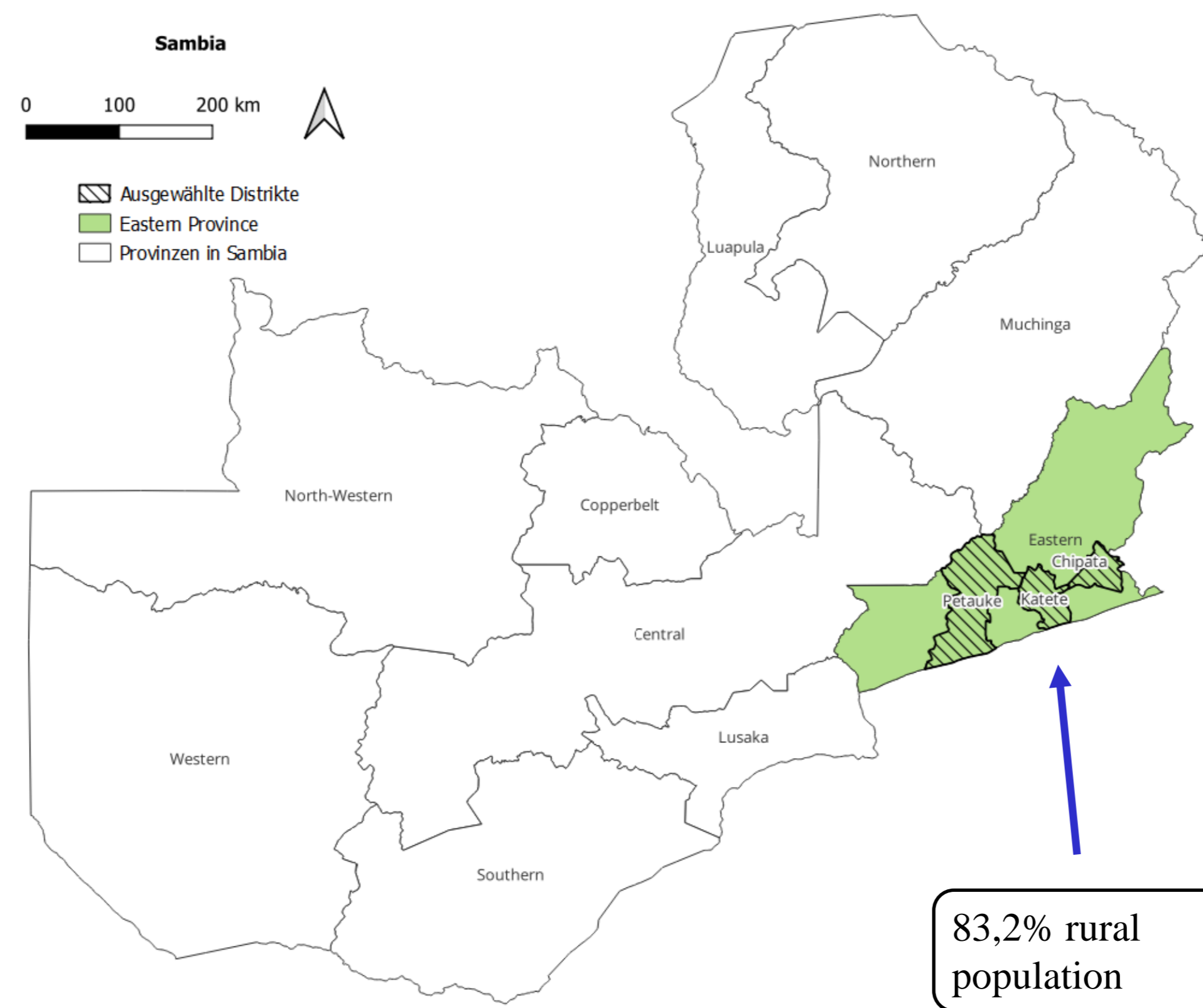
Background

Zambia / Eastern Province

- 59% of the population is working in agriculture, which contributes 3,4 to Zambia's BIP.
- Agricultural productivity remains low due to inefficiency, rain-fed agriculture, and low resilience against climate change, based on Zambia's focus on corn.
- Recurring and intensifying droughts and floods complicate the situation further.
- The Easter Province is exemplary for this situation, due to its strong agricultural base and its high risk for extreme weather. The combination results in increased food insecurity, caused by income and harvest depleting crop failures.



Project Area within Zambia



Cartography: by Nadia Noor 2023 based on project documents

Research design

Research questions:

- Is the project a *good practice*-example for coping with climate change and enhancing climate resilience?
- What can we learn from project experiences and results?

Methods:

- Intensive interviews with project personnel; focus group discussions with small farmers (treatment & control groups)



Climate Resilience through Risk Prevention and Innovative Climate risk insurances in Zambia (CRIIZ)

Background and objectives

- CRIIZ uses trainings with farmers, insurance companies, and governmental ministries to improve CRI literacy and distribution, while working with distributors to ensure the compatibility between the products and the smallholders.
- Project objectives:
 - Enhancing resilience of smallholders by distributing climate risk insurances (CRI) and promoting preventive measures.
 - Enhancing sustainability through the inclusion of local to national structures.
 - Supporting farmers through climate information.
 - Creating insurance products that are compatible with the farmers needs.
 - Securing climate resilient income generation by diversifying income sources of farmers.



Bridge in the Eastern Province after heavy rain falls



Testimonies

- Interest and basic understanding on one side – mistrust and hesitation (“fear”) on the other side.
- Farmers:
 - “Where does the money go, when we don’t get our compensations?”.
 - “Insurances are only for people in the city.”
 - “Why does my neighbour get a compensation, but not me? We both suffered from a drought.”
- Insurance provider:
 - “If you understand agriculture as a business, CRI are just a tool to reduce your risk of losses.”
- Micro Finance Institution (MFI):
 - “CRI are helping to reduce the risk of farmers to lose their livelihood through extremer weather. However, they are just one tool as a part of a whole strategy.”

Results and Recommendations

Challenges: The Cost-benefit balance

- Index-based CRI** are useful in the global South, but with incomplete and under-complex weather information, which impedes payment and therefore trust and income of farmers.
 - Yield-insurances** on the other hand offer better financial support, but result in higher costs for the insurance provider. This increases costs for the farmers.
- The question of costs and benefits is crucial in estimating the usefulness of CRI. This further creates the question whether CRI should result in profits or financed through public money.
- CRI questions whether public or private funding can provide a more effective system, while maintaining low costs for smallholders. Including responsible countries into the financing, could allow a more effective and sustainable approach.

The relevance of rivers like the Zambezi demonstrate Zambia's beauty as well as her specific challenges and vulnerabilities as a landlocked country depending on rainfed agriculture.



Conclusion and Outlook

- As a fairly new approach, CRI needs experience exchange throughout the responsible actors, with a thorough analysis of the farmers financial situation. Also, the training and information of farmers should be enhanced, to counter misconceptions.
- The surrounding measures, like financial literacy trainings, can support the diversification of income and financial activities, in order to improve the farmers living situation.
- For a continuation will a comprehensive weather analysis be crucial. For this investments in the administration, observational regime, infrastructure, and regional weather stations.
- Overall, CRI can be a successful measure to increase the climate resilience of small farmers against climate change, but an integration into accompanying measures is mandatory.