

# Insurance vital, but no magic bullet to fight drought in Africa

By [Alex Whiting](#)

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More developing countries urgently need insurance to cushion their farmers against weather extremes that can worsen poverty, but it is no magic bullet to ward off the escalating impacts of climate change, experts say.



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The burning question of how to stop drought becoming a major crisis - especially in Africa - has caused many to eye insurance as a possible answer. "People think sometimes that insurance is the solution for everything. It is not correct," said Mohamed Beavogui, director general of the African Risk Capacity, an African Union agency that helps states plan for natural disasters and climate change, and provides them with insurance through its company, ARC Limited.

"Insurance is (for) when you have done everything you can and there is still a risk you cannot cover," said Beavogui. Planning for those risks - such as the number of people a government would be unable to help in a crisis - is vital, he told the Thomson Reuters Foundation.

As climate change bites harder, bringing with it worse droughts and floods, demands on donors' purse strings are likely to grow, and experts say development gains - especially in Africa - are at risk of being rolled back. Last year, southern African states appealed for \$2.9 billion in aid when the region was hit with its worst drought in 35 years, affecting 39 million people. Now, drought in the continent's east is pushing millions into hunger.

Insurance can be triggered more quickly than international aid, which can take months to fund. ARC's cover is based on a pre-agreed plan for how the government will use the payout. Since ARC Ltd began issuing policies in 2014, eight nations have taken out insurance and four - Senegal, Mauritania, Niger, and Malawi - have received payouts totalling \$34 million.

The index-based insurance offers maximum coverage of \$30 million per country per season for drought events that occur with a frequency of one in five years or less.

But while drought last year left 6.5 million people in Malawi in need of food aid, Malawi did not receive an ARC payout until January. Malawi took out insurance based on a crop - long-cycle maize - that, as it turned out, most farmers did not grow in the 2015/2016 season. Long-cycle maize survived the drought, while the short-cycle maize most farmers grew did not. In the end, ARC's member states agreed to an \$8.1 million payout for Malawi - the amount it would have received had the government requested short-cycle maize as the base.

"It means that we shouldn't rely only on data the government gives us," Beavogui said. ARC will now also check what farmers are growing with research centres and extension services, among others, he added.

## **Jury still out**

Insurance companies that pay out directly to farmers are still few and far between in many developing countries, and they offer limited services. Where they do exist, they mainly serve commercial farmers because the poorest cannot afford to pay premiums without help from a donor or government, said Andrew Shepherd, director of the Chronic Poverty Advisory Network, based at the Overseas Development Institute, a London-based thinktank.

"The jury is still out" on whether insurance can make the poorest farmers more resilient to drought, but it can play an important role in preventing wealthier farmers from becoming impoverished, he said.

All the focus by governments, and often donors, is on getting people out of poverty, and not on preventing people from falling into poverty," he said.

India is one of the few developing countries with a national insurance scheme for farmers, including those with as little as one cow or buffalo, which works through local agents, said Shepherd.

Senegal has two kinds of insurance - macro-insurance through ARC, and micro-insurance - both of which paid out when bad drought hit in 2014.

The Compagnie Nationale d'Assurance Agricole du Senegal (CNAAS) - set up by the government, insurance companies and international agencies - targets most farmers in rain-fed crop areas with index-based insurance products. In 2014, Senegal's ARC payout reached people and livestock with aid, getting help to herders within three months, said Mathieu Dubreuil, micro-insurance advisor at the World Food Programme (WFP).

"It was a good match" between ARC which pays out in a crisis and micro-insurance schemes that pay out more often, he said.

WFP, which offers small-scale insurance for farmers, is also exploring taking out ARC insurance, which would give an additional payout to countries, disbursed either by WFP or through the government.

## Vicious cycle of hunger

In Malawi, farmers are waiting for the April maize harvest to bring an end to months of food shortages. "If we are not careful, we will have a vicious cycle of hunger," said Wycliffe Kumwenda of the National Smallholder Farmers' Association of Malawi, representing more than 100,000 farmers. Uninsured farmers are condemned to queue up for food aid - time taken away from cultivating their fields - while hunger saps their energy, he said.

There is some insurance for Malawian tobacco farmers, but many do not know about it. Premiums are a problem too, as is the ability to make a claim, Kumwenda said.

"We need to install proper instruments that can capture weather parameters like rainfall (and) temperature," he said. "Most of the met stations are not reliable." That makes claims hard to justify, putting off potential insurance providers, he added.

As climate impacts are expected to worsen in the coming years, potentially pushing up the cost of premiums, ARC is developing an Extreme Climate Facility (XCF) which will give countries access to finance for climate change adaptation.

"You have to insure what you cannot cover, and at the same time you have to prepare and adapt," said Beavogui. "My real fear is we don't do it quickly enough."

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