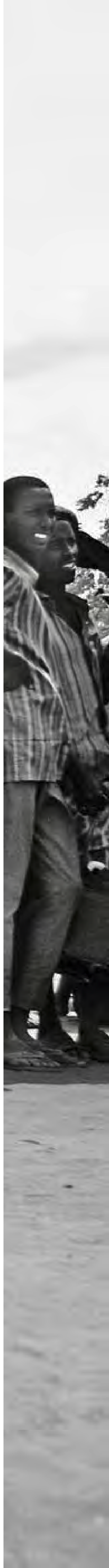
The droughts in 2011 and 2012 led to famines in many countries in East Africa. People in Dabaab, Kenya, queue up for drinking water and food.

Right: Men in Sudan distribute peas in a refugee camp. The United Nations World Food Programme (WFP) is the largest humanitarian organisation of the UN. In some years it provides approximately 90 million people with food supplies.

# Insurance against crop failure — Combating hunger!

In times of financial and euro crises, the fact is easily overlooked that millions upon millions of people have been enduring an acute existential plight for many decades: they are suffering from hunger. However, there are initial approaches in Africa aimed at insuring the people affected, at least financially, against the impact of failed harvests, helping them to withstand the consequences of droughts.



The severe drought in the Horn of Africa in 2011 and 2012 brought awareness, as to how many people suffer from the effects of crop failures. More than ten million Africans were afflicted by malnutrition. Between 1983 and 1984 alone, approximately 300,000 people died of hunger in Ethiopia, which is hit regularly by extreme weather events, due to enduring heat waves and droughts. However, other countries such as Mali, Niger and Mozambique also make the headlines repeatedly.

It is incomprehensible that in our world today, which is being brought closer through globalisation, almost 870 million people – of whom 98 % live in the developing world – still do not have enough to eat. According to UNICEF, some 150 million children in emerging nations were underweight in 2009, and nearly 16,000 children die of hunger-related causes every day.

It is thus high time to think about risk-transfer mechanisms that could help alleviate the most severe plights. Pilot projects with insurance elements for agriculture are emerging above all in Africa, where more than three-quarters of the countries are threatened or directly affected by drought. Such was the case in Malawi, where in 2005 peanut farmers and later also tobacco farmers were able to take out microinsurance against crop failure. However, the programme was only able to reach about a thousand small farmers.

According to the World Food Programme (WFP), the first humanitarian insurance was created in 2006 in Ethiopia. It was an index insurance based on a payment trigger. The deal offered was that if very little rain fell between March and October, the farmer associations would receive up to US$ 7m. The great advantage of this deal is that funds begin to flow before the failed crops are actually harvested. Without trigger coverage, which is deployed early in the year, aid often comes too late, as the losses must first be laboriously assessed and claims checked. In the meantime, people suffer from hunger for months, use up their savings or are even forced to sell their possessions. Insurance can thus accelerate payment substantially. However, trigger covers are only meaningful if they reflect the actual loss situation (basis risk). It is difficult to create such covers and unfortunately they still fall short.

At the microinsurance level, new programmes are also being designed for small farmers, for example, the unique HARITA policy, which insures even the poorest of the poor, who have no income. It was developed in Ethiopia and is incorporated into a state-run welfare programme (Productive Safety Net Programme). Here, people without income can contribute their manpower, for example in agriculture, by performing composting tasks or by planting and cultivating protective vegetation. In a crisis, people who are too poor to pay premiums can still benefit. They receive monetary payments. Furthermore, additional education programmes help raise the farmers' risk awareness.

Today, HARITA reaches some 75,000 people in 13,000 households. The programme was conceived by the Columbia University in New York (IRI) and Oxfam together with local organisations and institutions such as Adi Ha Farmers Cooperative or Nyala Insurance. Swiss Re functions as a back-up. In 2012, HARITA paid out more than US$ 320,000, enabling small farmers in 45 villages in Northern Ethiopia to purchase essentials.

Following an extended test phase on this new segment of insurance for small farmers, the first developments are now emerging. They aim to increase the food security of people faced with the threats of extreme climate hazards, a challenge which will gain significance in many regions as a result of climate change. Insurance may help as part of an all-round adaption approach.

One thing all the programmes have in common is that, in addition to the flow of funds, they will also improve data flow and knowledge transfer. This is the decisive advantage of insurance-based solutions, where it is essential not only to provide help but also to mitigate the impact of drought disasters by means of improved protection against risk.

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