Index Insurance and Climate Risk Management

- In Malawi, smallholder farmers report they cannot obtain inputs necessary to address climate variability
  - High yielding seeds require cash the farmers do not have
  - Drought risk prevents farmers from being eligible for loans
  - Malawi farmers report they want to adjust practices to take advantage of seasonal forecasts but are unable to obtain appropriate fertilizer and seed

- Index insurance risk management package
  - We have designed the contracts for a drought insurance system that provides the backbone for a package of loans, groundnut, and maize inputs for smallholder farmers
  - Drought insurance solves traditional crop insurance pitfalls
  - Partners include Malawi farmers and financing associations (NASFAM, OIBM MRFC, Malawi Insurance Association), the World Bank CRMG, Malawi Met Service, CUCRED
  - Project is in its second year of implementation, scaling up from about 900 farmers last year to several thousand, due to overwhelming demand
  - Additional pilots underway (e.g. Kenya, Tanzania, South Africa . . .)
  - We are cooperatively developing packages that provide price incentives, risk protection, and strategic input availability so farmers can take advantage of forecasts
  - Farmers report that this program is how they adapt to climate variability and change

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