

Weather-Indexed Early Warning and Livelihood Protection

an Example from Ethiopia



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Henri P. Josserand, Chief ESTG, FAO
Bronwyn Cousins, Business Analyst, WFP

Overview

- **Who we are**
- **Our Aim**
- **Risk Management Framework**
- **Structured Finance**
- **Building an Index**
- **Ethiopia Pilot**

FAO/WFP areas of work



- **Technical Support to Agriculture/ Livestock/ Forestry/ Fishery**
- **Agricultural Statistics**
- **Agro-climatic Monitoring**
- **Agricultural Policy**
- **Early Warning for Agriculture & Food Security**



- **Vulnerability Monitoring Assessment and Mapping**
- **Early Warning & Needs Assessment**
- **Structuring of Finance, development economics & financial law**
- **Aid targeting & distribution**

Joint FAO-WFP

- **Crop and Food Supply Assessments**
- **Needs Assessments & Emergency Operations**
- **Pre-crisis Market Profiles and Market Analysis**
- **Risk Management & Livelihood Protection**

Other Weather Risk **Management Projects**

- **Argentina I: Weather insured seed credit**
- **Argentina II: Dairy yield protection against low rainfall**
- **South Africa: Apple co-operative freeze cover**
- **India: 20,000 farmers bought weather insurance in 2004**
- **Mexico: Crop insurance portfolio reinsured through weather derivative**
- **Morocco: Weather indexed crop insurance**
- **Ukraine: Winter wheat protection against weather risks**
- **Malawi: Seed maize & groundnut yield protection against drought**
- **Peru: Weather insurance for 8 crops in 5 regions of the country**
- **Nicaragua: Groundnut weather insurance**

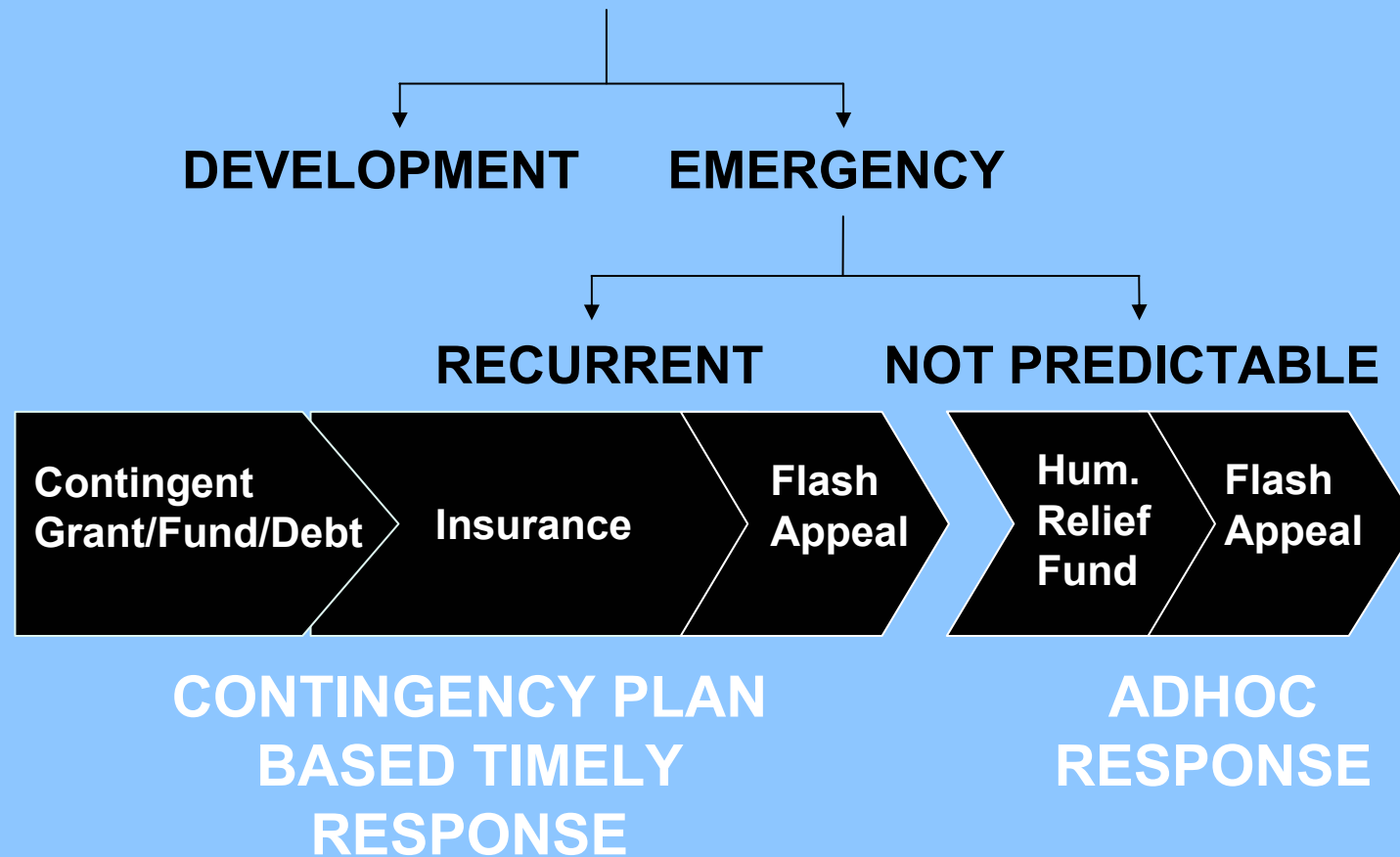
Protecting People's Potential

**by structuring financial solutions to
meet disaster funding requirements**

Example:

Ethiopia Weather Risk Management Project

Structured Finance



**World Food
Programme**

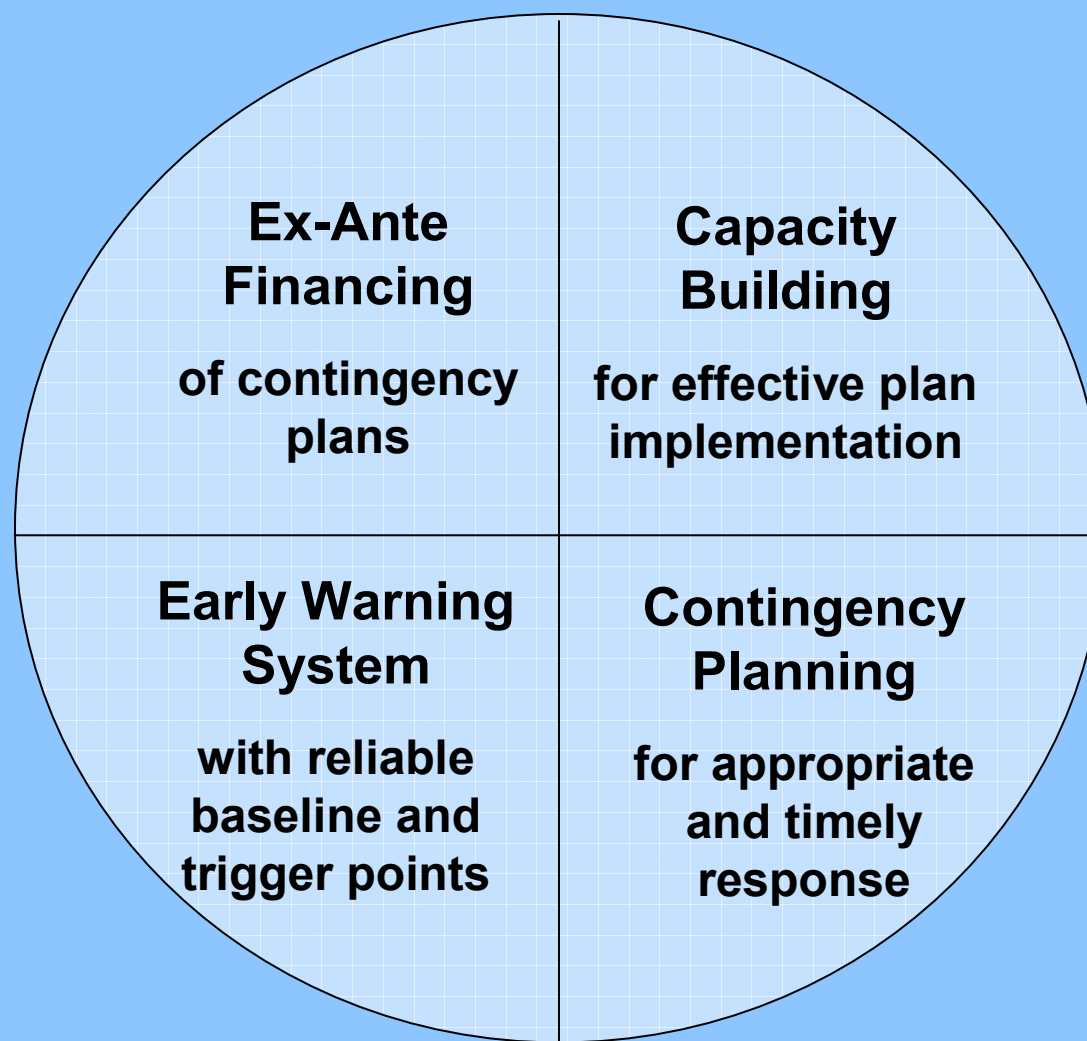


How Our Products Help

- **CONTINGENCY FUNDING** eliminates delays in delivering funds after natural disasters
- **FINANCED CONTINGENCY PLANS** ensure correct assistance reaches correct beneficiaries at the right time
- **Most efficient use of relief resources**
- **Protects assets beneficiaries need to recover after natural disasters**



Risk Management Framework

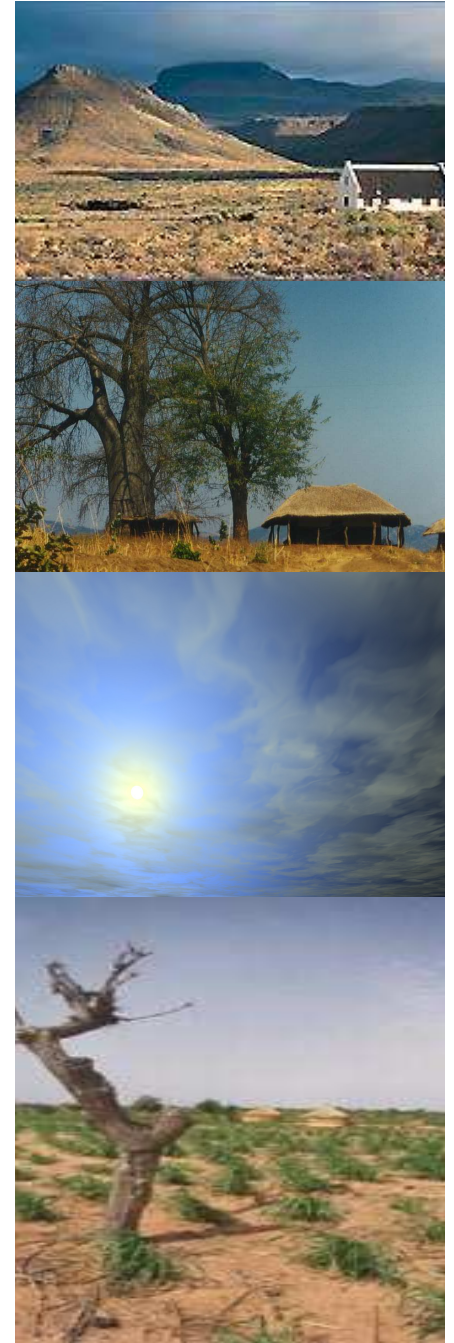


**World Food
Programme**

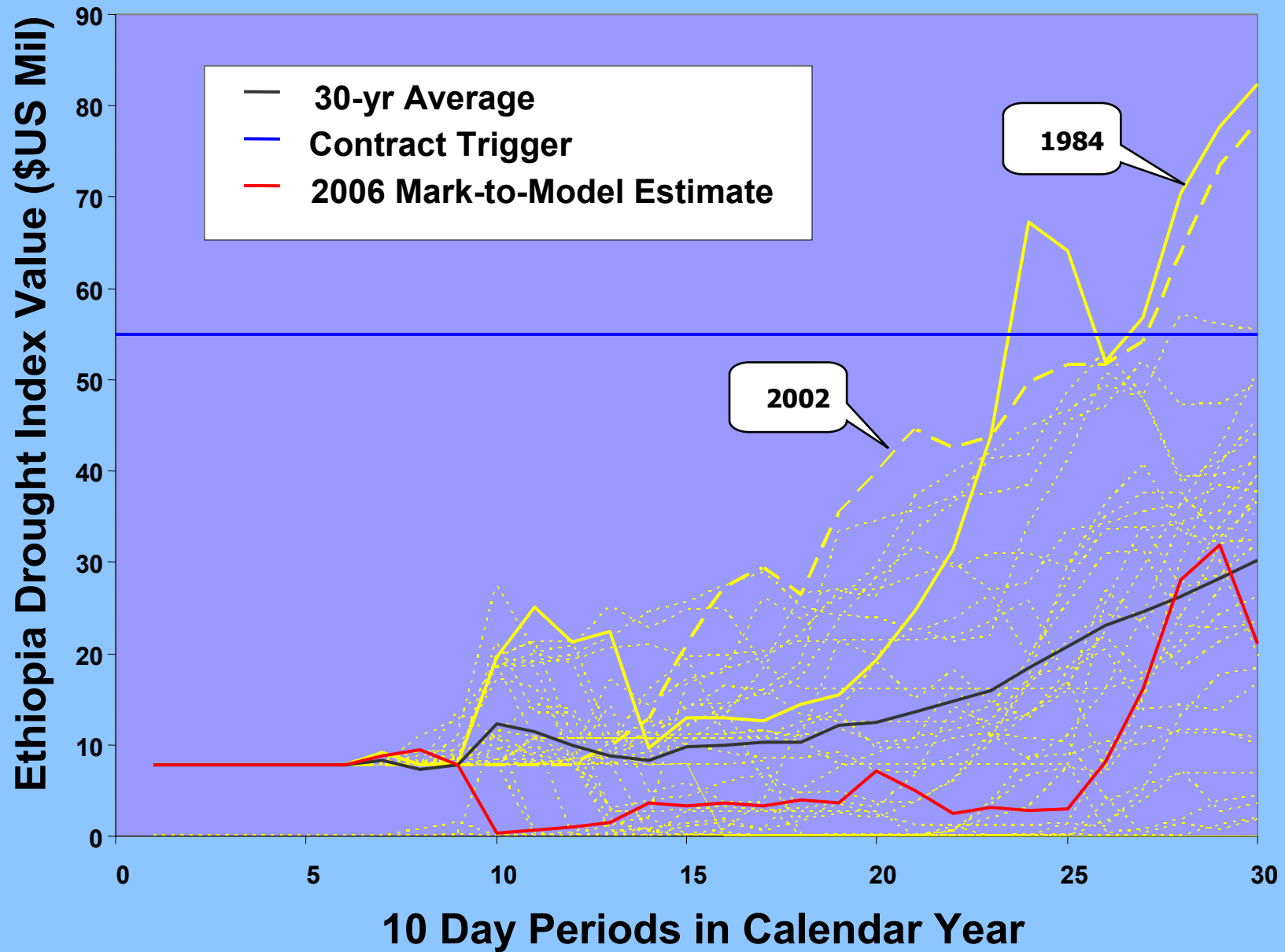


Building a Weather Index

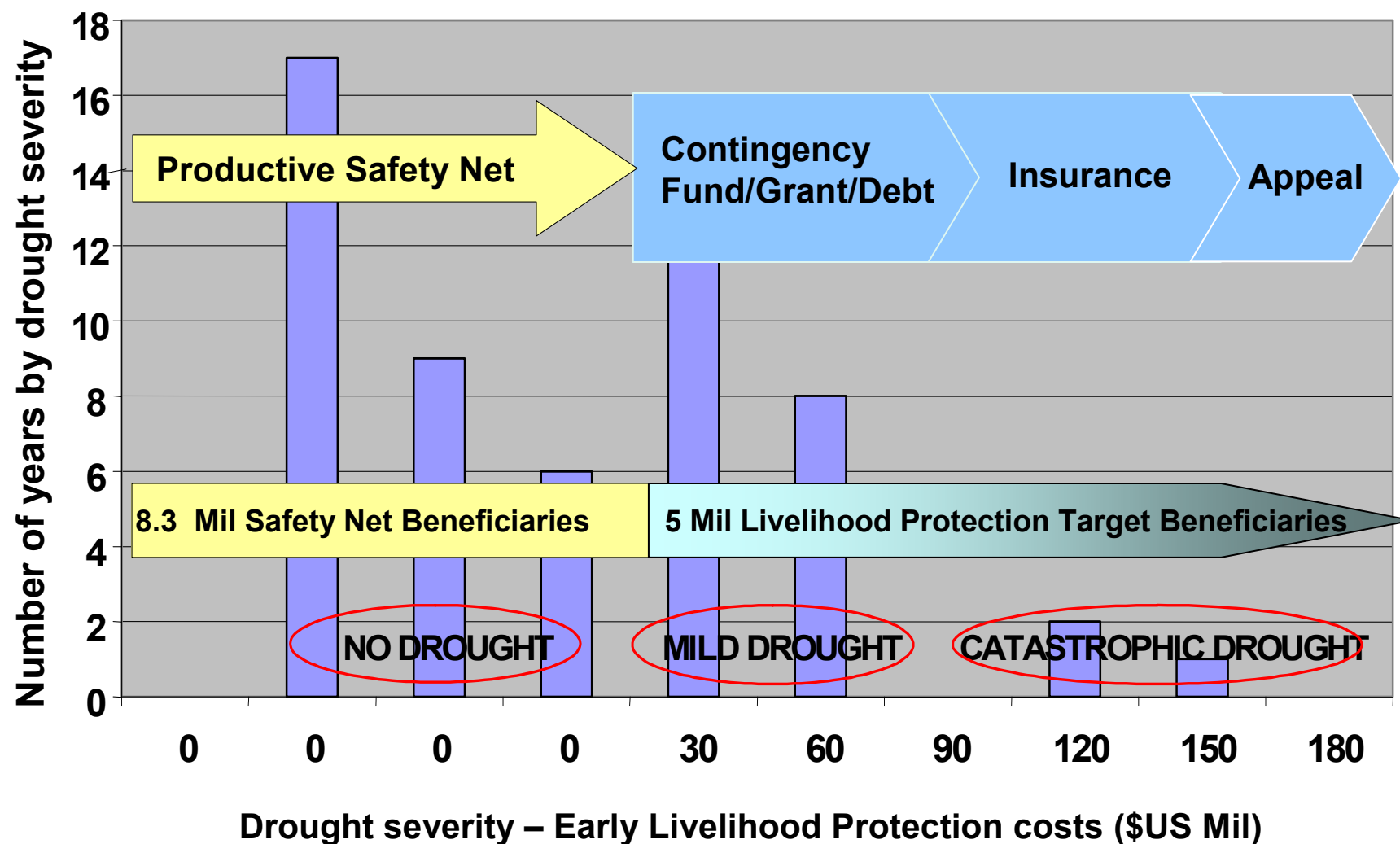
- I. Identify exposure –
number of beneficiaries**
- II. Quantify the impact**
- III. Correlation between
needs and weather data**
- IV. Structuring financing:
triggers and payout rates**



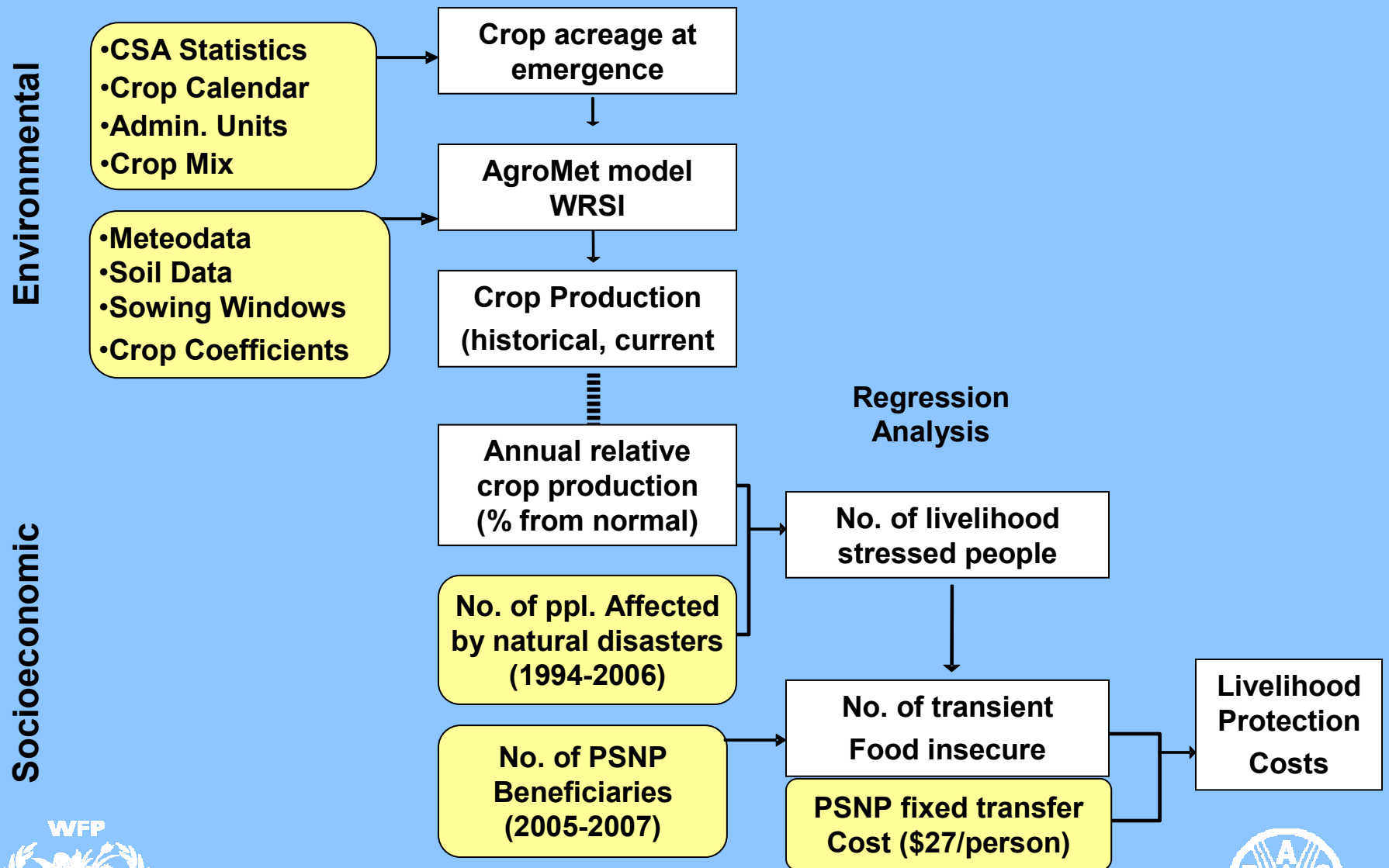
2006 Pilot



Ethiopia Risk Finance 2008-2010



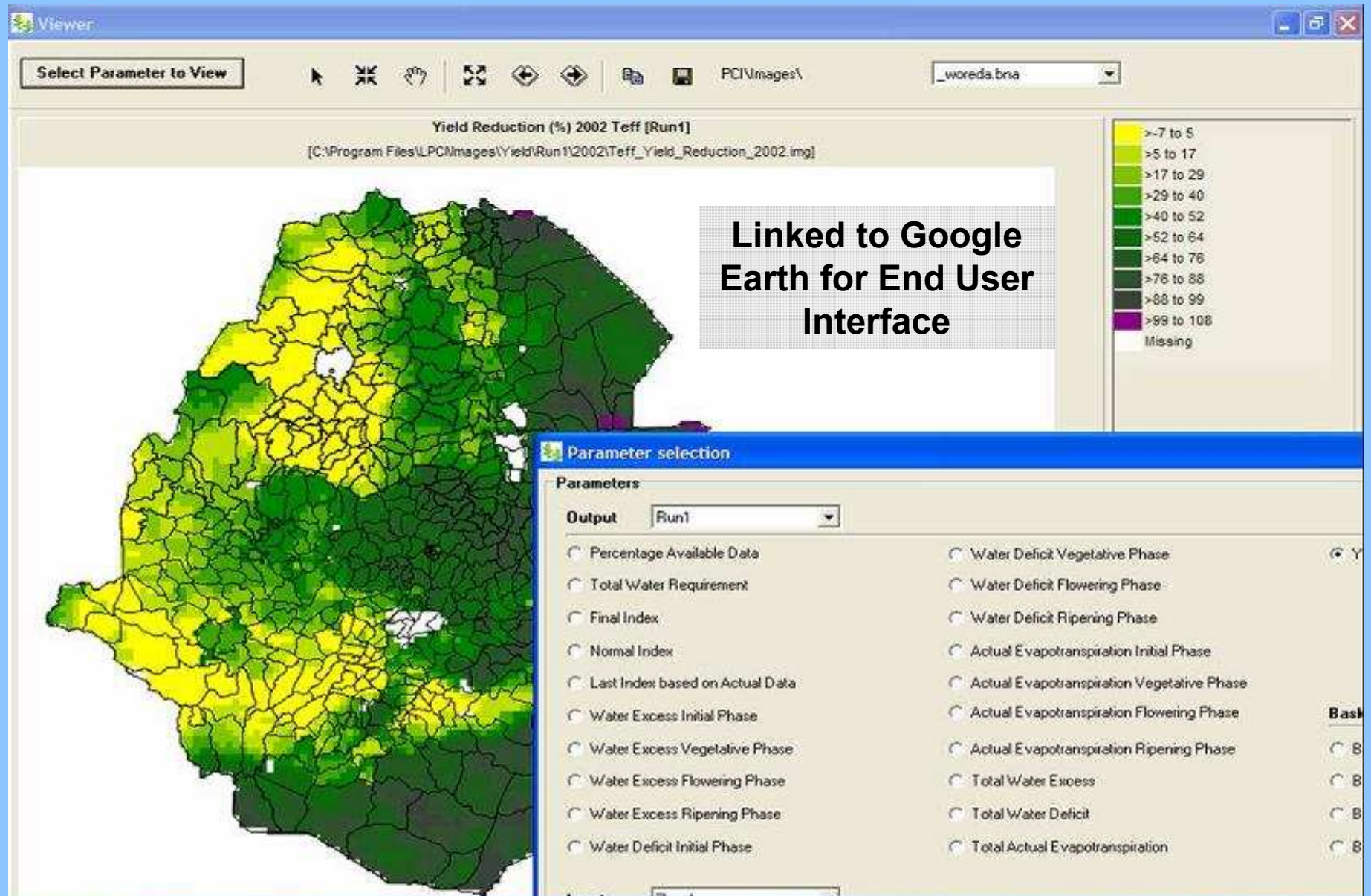
Agricultural LPCI Design



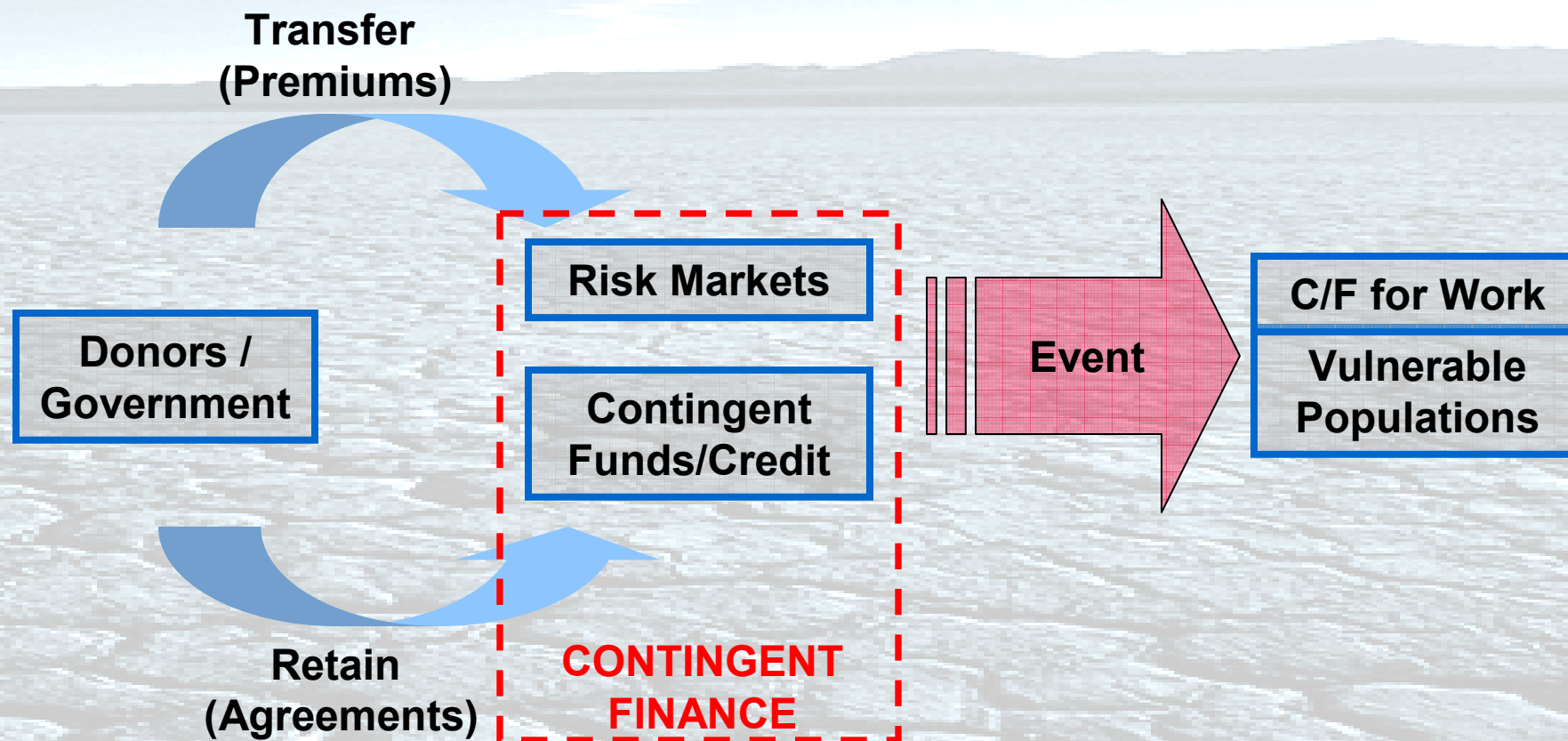
World Food
Programme



Software Tool: LPCI Calculator



Flow of Funds



**World Food
Programme**



Conclusion

**Innovative Risk
Transfer Mechanisms
for Populations
Affected by Natural
Disasters In Low-
Income Countries**



Risk



**Beneficiary
Governments**

**Financial Risk
Markets**

**Donor
Governments/
Agencies**



**World Food
Programme**





Bronwyn.Cousins@wfp.org

Henri.Josserand@fao.org