

GFDRR Case Study: Burkina Faso

In Burkina Faso GFDRR is supporting the development of new insurance instruments in order to mitigate the impact of recurrent weather risks. Building on experiences in Ethiopia and Malawi, GFDRR is facilitating technical advice and capacity building services so that the Government can quantify and effectively secure budgetary “insurance” in the case of drought shocks. The project reflects innovative developments in the insurance market to respond to the twin challenges of disaster risk management and climate change.

Working with national and international World Bank/UN partners, the primary focus of the project is to develop a national rainfall index as a basis for drought risk management contracts. The project explores the feasibility of index-based weather insurance contracts for cotton producers with the objective of strengthening the agricultural credit sector in the country. Initiated in January 2008 the project is orientated to feed into the Country Economic Memorandum, with the objective of mainstreaming disaster reduction in the country’s poverty reduction strategy while providing Government with the required tools to deal with weather risks hedging.

RATIONALE and Country Context

An estimated 2.5 million people currently depend on cotton as their main source of income in Burkina Faso. However emerging climate change trends are affecting the livelihoods of smallholder cotton farmers throughout the country. In remote areas, insufficient and irregular rainfall impacts the poorest farmers disproportionately. For example, according to the National Agricultural Statistics and Forecasting Services, at least 33,000 ha of farmlands were washed away during the floods that hit Burkina Faso in August-September 2007. Under such circumstances, the principal victims of the abrupt drop in cotton yields (from 650,000 tons to 450,000 tons during the 2007/2008 campaign) and crop losses have been the poor. To this end the project emphasizes a shift towards ex-ante risk management approaches. To date, traditional government interventions have been inadequate, since rainfall patterns affect producers in diverse geographic areas differently. This initiative supports new market based insurance mechanisms to manage recurring weather risks.

The emphasis on agricultural risk and changing climatic factors complements national PRSP and existing disaster risk management strategies. The government has expressed interest in innovative solutions to address or mitigate the negative impact of its economy’s over-reliance on cotton. Recent disaster experiences, including the locust invasion, have led way to operational early warning systems, demonstrating the Government’s commitment to cope with institutional demands for risk management, once other factors are properly analyzed. Central to this work is the support of strategic organizations including the National Agricultural Statistics and Forecasting Service (DGPSA), the Food and Agricultural Organization of the UN (FAO) and at regional level the Permanent Inter-State Committee for the Fight Against Desertification in the Sahel (CILSS).

PROGRESS and KEY PROGRAM FEATURES

Although in its initial stages of development the project is working closely with national stakeholders to prepare baseline information and resolve various technical aspects that will ensure the development of a relevant rainfall index. A key priority is to ensure that national capacity needs are fully anticipated and that the final product is adapted closely to suite an be local context, knowledge and expertise.

Concerning baseline information priorities the index must be constructed using objective input weather data that has a long and consistent history and is reported regularly and reliably. To meet this prerequisite the project is collaborating closely with the Direction de la Météorologie network to identify existing information as well as the capacity of each weather station to continuously produce information. Based on the findings of this analysis a number of follow up actions might be anticipated to follow up on information gaps, dissemination, monitoring etc. Through the preparation of a robust project baseline the index, once designed, can be monitored in near real-time.

In parallel some early work has been launched to refine technical development aspects of the index. In order for the index to correlate as closely as possible to the underlying risk it must be based on locally adapted and developed models that are already being used in Burkina Faso to monitor and forecast national cotton production. To this end collaboration with Burkina Faso's Ministry of Finance and Association of Cotton Farmers and Ginners (AICB) has been critical.

MOVING FORWARD

The project aims for completion by December 2008. At this point it is expected that a working cotton rainfall index will have been produced, with full documentation detailing implementation requirements for national partners. This will address how the model can be adapted by the Government and what information requirements, methodologies and indicators will need to be considered.

Focusing specifically on the micro rainfall insurance opportunities for cotton, a feasibility study will also be produced. This will address prospective demand for index based weather insurance and the scalability and sustainability of index based weather insurance for farming communities in Burkina Faso. To ensure successful completion the project will now work on continual refining, testing and piloting of methodologies, working through continued partnership of national and international stakeholders.