

Researchers

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Timeline

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Sample Size

400 rural households and 124 urban relatives

Research Implemented by IPA

Yes

Marketing Rainfall Insurance to Family Networks in Burkina Faso

Abstract

Rainfall insurance is a potentially cost-effective way to protect farmers in low-income countries from adverse weather events, but its adoption has been low. Marketing rainfall insurance to farmers' urban relatives, who often help support their rural family members, may increase its use. Researchers partnered with micro-insurance organization Planet Guarantee to study the demand for a rainfall insurance product marketed to urban relatives of farmers in Burkina Faso. Researchers found that 22 percent of urban relatives offered the insurance purchased it, and that they were more likely to purchase if compensation was offered as direct payments to farmers rather than to the contract holder. A larger-scale study informed by these findings is now examining the long-term effects of rainfall insurance on demand for rainfall insurance among both urban migrants and rural households and its impact on the economic outcomes of the latter group.

Policy Issue

Farmers in low-income countries face a significant risk from adverse weather events, and often rely on support from their relatives working in the city to cope with these events. Rainfall insurance, a type of agricultural insurance in which payout is linked to an index of rainfall data in the farmers' region rather than individual claims, has been shown to alleviate this risk. However, rainfall insurance schemes have had low uptake where introduced. This lack of adoption may be due to a number of factors, such as cash constraints, lack of financial literacy, and lack of trust in the insurance provider among farmers. A more effective way of

increasing insurance adoption may be to market it to the urban relatives of rural farmers, who tend to be easier to reach and more familiar with financial products, and are often already part of a network of familial support. This project examined if this marketing strategy could lead to greater uptake of rainfall insurance.

Context of the Evaluation

This evaluation took place in the Center West and Plateau Central regions of Burkina Faso, not far from the capital city of Ouagadougou. A preliminary census of farmers in the region found that 56 percent had at least one relative living in Ouagadougou, and of those, 70 percent received frequent transfers in cash or kind from an urban relative. Additionally, the number of urban dwellers reporting that they had received a request for assistance from their rural family doubled (from 30 percent to 60 percent) during periods of low rainfall, suggesting that there is significant demand for support during adverse weather events. None of the respondents in the census reported using formal insurance, and less than one percent reported using formal credit to cope with losses.

Details of the Intervention

[Note: This study is not a randomized evaluation.]

Researchers in Burkina Faso partnered with micro-insurance organization Planet Guarantee to study how marketing a rainfall insurance product to the urban relatives of farmers affected the demand for insurance.

Following a census of 978 farmers in the Center West and Plateau Central regions, researchers randomly selected 400 for a full survey. They also asked farmers to list any family members they had in Ouagadougou, and selected 170 of those relatives to survey as well.

During the urban surveys, participants were given an hour-long demonstration of Planet Guarantee's rainfall insurance product, followed by a telephone solicitation to purchase the product. Participants were randomly offered one of two contracts: One in which compensation would be paid directly to their relatives, or one in which they would collect compensation themselves.

Both rural and urban participants were asked questions to evaluate their understanding of rainfall insurance and the price at which they would be willing to purchase it. Additionally, researchers gathered data on demographics, income and urban-to-rural cash transfers.

Results and Policy Lessons

When given the chance to purchase rainfall insurance, 22% of urban respondents accepted the offer during a two week period immediately after the demonstration of the product. The uptake rate was higher for migrants who had recently arrived in Ouagadougou and for

participants who reported that their rural relative had recently experienced an adverse weather event. Researchers found that rural and urban participants did not differ in their understanding of rainfall insurance or their willingness to pay for it.

Additionally, the uptake rate was higher when participants were offered an insurance contract which specified that indemnity payments were to be paid directly to their rural relative, rather than to themselves. This is consistent with findings from pilot focus group discussions, in which urban migrants explained that they preferred this option because of the possible temptation to use an insurance payout, intended for their rural relative, for some other purpose.

Based on these promising results, researchers are now conducting a full-scale randomized evaluation to evaluate the demand for rainfall insurance among both urban migrants and rural households and its impact on the economic outcomes of the latter group.

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