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Malawi's Experience with Disaster Risk Management and Financing for Agriculture

Macro Level Weather Derivative Program

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GFDRR
Global Facility for Disaster Reduction and Recovery



Cooperative Governance
Traditional Affairs



ISDR



Historical Context

- Macro-level derivative program has focused on government exposure at macro-level
- Maize is target crop
- Technical work began in 2004;
- Four (4) Transactions to date:
 - 2008/9
 - 2009/10
 - 2010/11
 - 2011/12



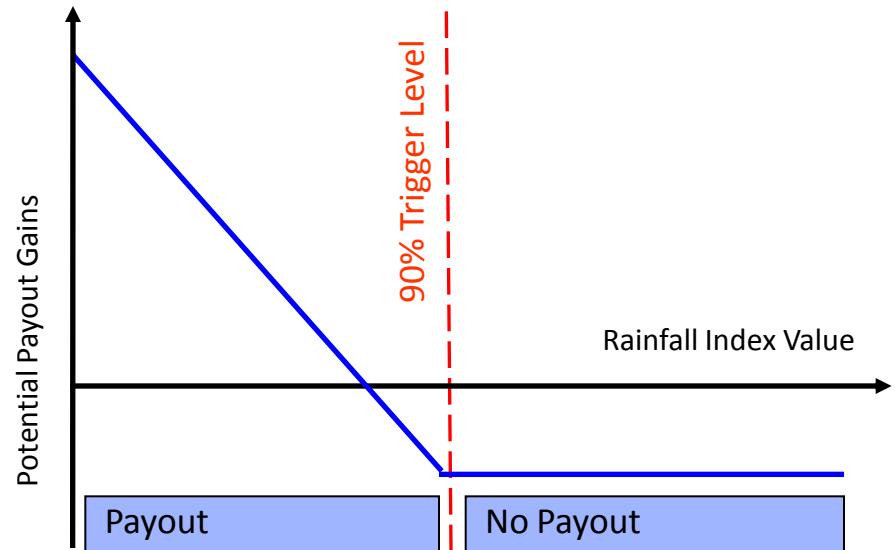
Program Objectives

Objectives have been to:

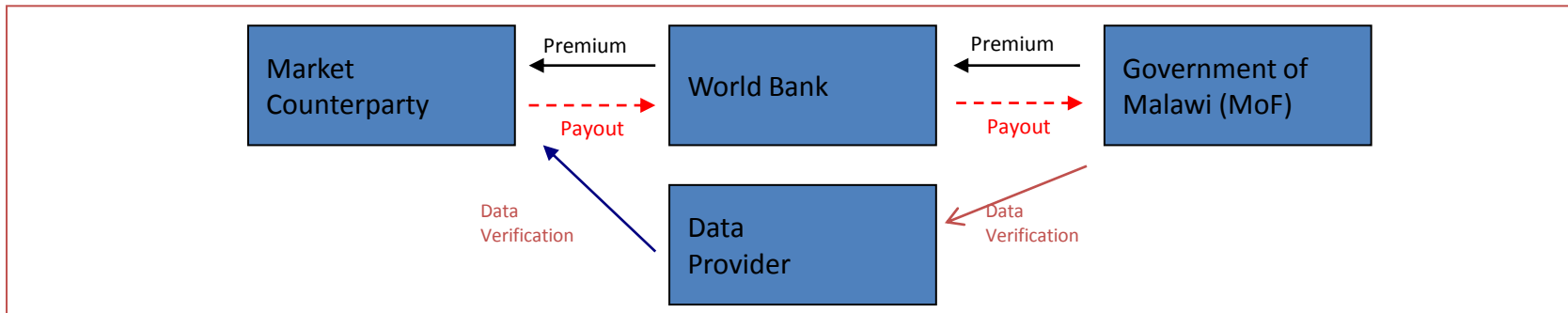
- 1) improve drought risk assessment and early warning tools
- 2) identify contingent sources of financing that can be used to support responses
- 3) strengthen government's risk management capacity
 - **prepare Government to integrate market-based solutions into its own plans; and to work with market independently**
 -
- 4) **improve planning -and budgeting- for national disasters**

Malawi 2011/12 Contract Structure

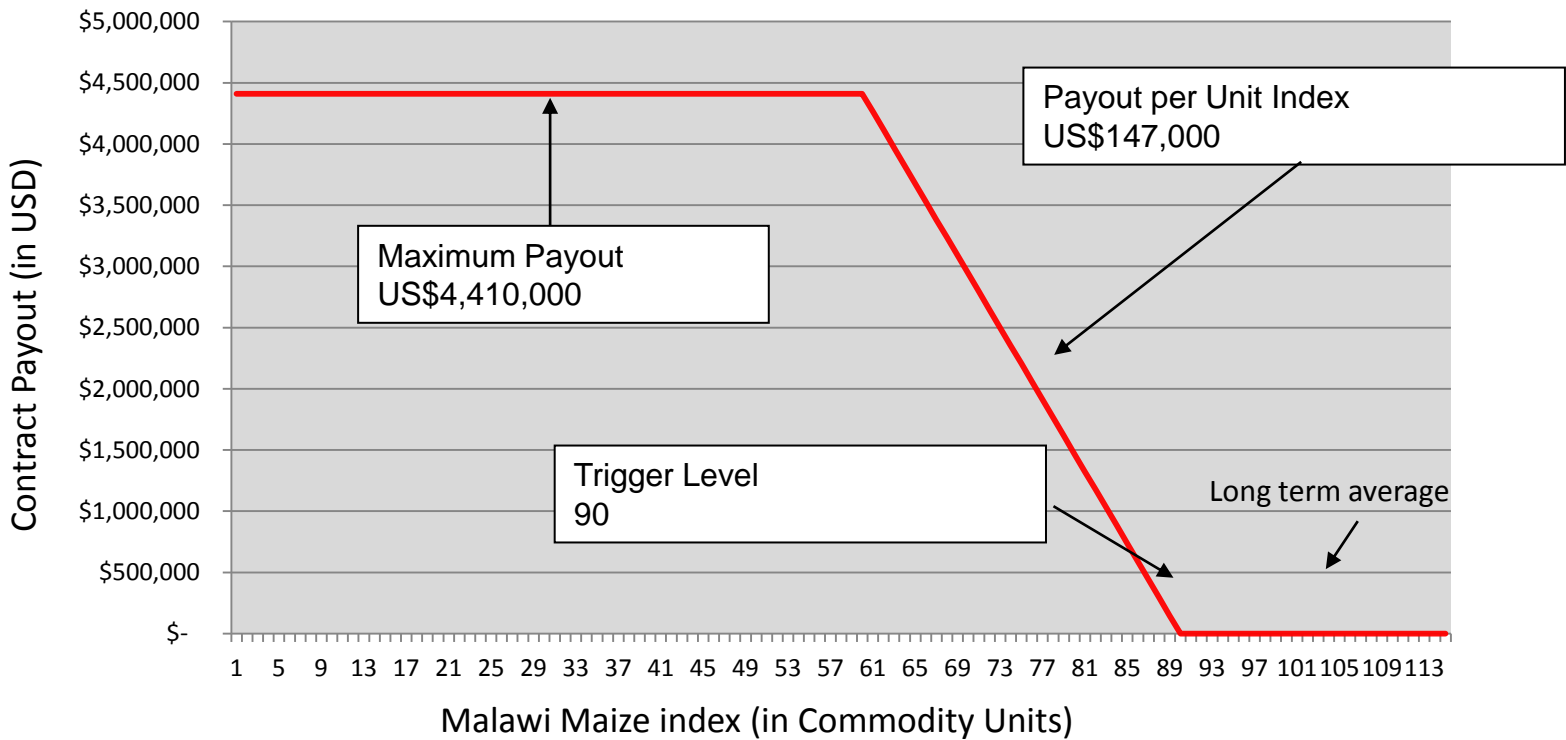
Type of Contract	Put Option
Premium	\$US 499,950
Maximum Payout	\$US 4.41 Million
Payout per commodity index unit	\$ US 147,000
Start Date	October 1, 2011
Final Date	April 30, 2012
Strike	10% below average index value (90)



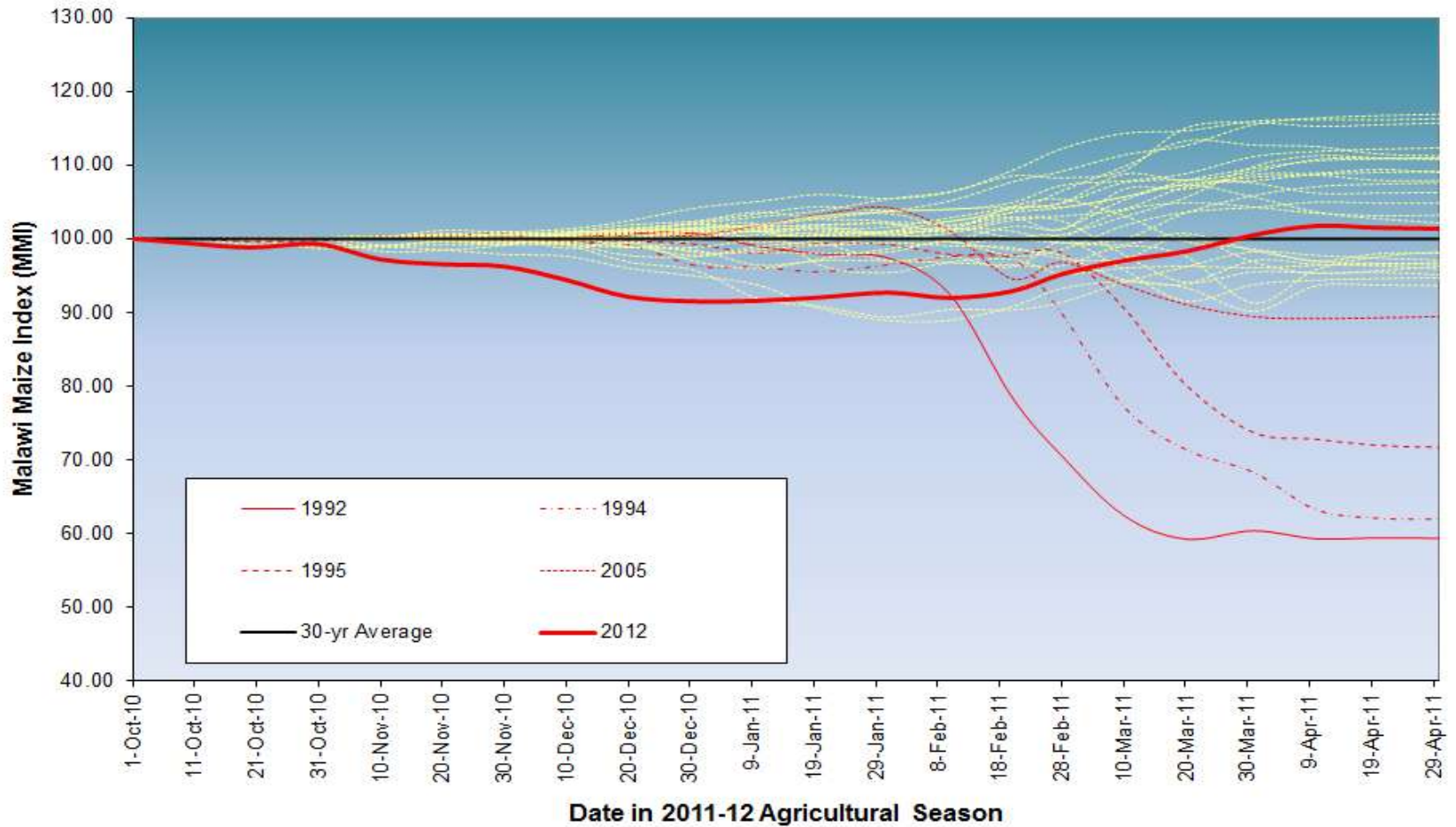
Transaction Flow



2011/12 Contract Structure



Malawi Maize Index in 2011-2012



Next Steps

- **Policy Issue** – Whether or not government should continue with program
- **Technical Issue** – Review of modeling approach; Consider alternative approaches; Review transaction strategy
- **Institutional Issue** - How government could take advantage of funding & expertise from different areas to support this work:

Text

- Bullet one
- Bullet two
- Etc.

Text

- Bullet one
- Bullet two
- Etc.

Text

- Bullet one
- Bullet two
- Etc.