CROP INDEX INSURANCE FOR FARMERS IN WEST AFRICA

Beneficiary organisation
Inclusive Guarantee is the first licensed microinsurance broker specialised in providing index-based agricultural insurance to smallholder farmers in West Africa. The company connects farmers with insurers and reinsurers through various aggregators.

The challenge
Staple and cash crops are the principal source of income for most smallholder farmers in West Africa. Their economic vulnerability is exacerbated by their high exposure to adverse weather conditions. However, agricultural insurance is underdeveloped in the region and costly to implement because of the small size of the farms and the difficulty of making claim assessments in remote areas.

The proposed solution
The project aimed at supporting Inclusive Guarantee in improving, developing and distributing index insurance products for various crops to enable farmers to manage their risks affordably and efficiently as weather indices automatically trigger claim payments.

The following project results were expected by the end of 2022:

1. improve the financial management and risk awareness of 100,000 smallholder households through insurance literacy training
2. reduce the risks for 60,000 smallholder farmers who subscribed to agricultural insurance for the first time in selected West African countries
3. raise awareness of the importance of insurance amongst regional administrations and amongst agricultural aggregators as potential insurance distribution channels
4. collaborate with around 50 aggregators who distribute the insurance products to their clients/members, with up to 10 agents per aggregator trained to relay insurance literacy content to their clients/members
5. develop and implement a digital platform for managing subscriptions, policies and claims to facilitate outreach in rural areas

Project’s contribution to the SDGs

1. No poverty
   • 1.5 Building the resilience of vulnerable people
2. Zero hunger
   • 2.3 Improvement of agricultural productivity and smallholder farmers’ income
5. Gender equality
   • 5.5 Participation of women in economic life
13. Climate action
   • 13.1 Strengthen resilience and adaptive capacity to climate-related disasters

IMPACT INVESTOR

Inclusive Guarantee
West Africa

NUMBER OF FARMERS REACHED

> 108,000

AGRICULTURAL VALUE CHAIN

Multiple crops

START DATE
January 2021

END DATE
December 2022

TOTAL EXPENDITURE

€ 234,000
Including € 100,000 (43%) financed by SSNUP
Training and awareness-raising activities are key
Inclusive Guarantee raised awareness of climate risk and the importance of insurance to overcome low financial literacy and cultural barriers. First, it was essential to coach the aggregators and train their staff in selling insurance to farmers. Then, financial training for farmers and clear communication throughout the client journey helped the farmers understand how insurance works and built trust. At a higher level, awareness-raising for regional administrations is crucial for their buy-in and support.

Ensure proper replication of training and awareness-raising sessions
Inclusive Guarantee needed to provide substantial additional follow-up and training at the grassroots level to ensure the transferred information was both accurate and complete. While digital channels can facilitate this transfer of information, it is important to ensure their adoption and correct use amongst smallholder farmers.

Aggregators are necessary for attaining scale
The project’s outreach was achieved through a large number of aggregators who acted as distribution channels, such as cooperatives, input dealers, agricultural banks and MFIs working with large farmers’ networks.

While big aggregators such as MFIs and agricultural banks excel in scaling up new insurance services, an adequate flow of information to the farmers can take time and effort.

As farmers’ organisations are closer to the end beneficiaries, they are more efficient in spreading information, raising awareness and ensuring that the farmers take out insurance. However, their small size can limit scalability.

Climate data needs to be reliable and of high quality
Reinsurers do not always accept freely available data. While a partnership was established between the insurance company and official meteorological services for the provision of climate data in Senegal, obtaining reliable data in other countries proved difficult.

Concerning the data type, the ground rainfall index proved to be the most reliable climate index for effectively reducing basic risk. Therefore, ground-based weather stations coupled with technical or financial assistance are essential for obtaining good-quality data.

Outlook
Following this initiative, Inclusive Guarantee has been invited to conduct feasibility studies in Niger, Togo, and the Republic of the Congo.