

Kilimo Salama insures 100,000 farmers against adverse weather in Kenya and Rwanda

Kilimo Salama, a social enterprise launched by the Syngenta Foundation for Sustainable Agriculture with the support of the Global Index Insurance Facility reached a major milestone in **April 2013** improving income security for 100,000 farmers in Kenya and Rwanda, by providing them with insurance against adverse weather. The high level of interest in this product demonstrates that index insurance markets are scalable and sustainable in Africa.

Started with only 185 farmers in Kenya in 2009, Kilimo Salama allowed farmers to insure as little as a bag of seeds, with policies and claims payments initially transferred over mobile phones. **Kilimo Salama's agricultural insurance program was the first worldwide to reach smallholder farmers using mobile technologies.** GIFF provided the Syngenta Foundation \$2.4 million to pilot an index insurance market in Kenya.

Following the success of the index insurance market in Kenya, Kilimo Salama



Syngenta staff at a recent retreat in Kenya

recently expanded sales into Rwanda, insuring nearly 40,000 farmers. Rwanda's Minister of Agriculture and Animal Resources, Agnes M. Kalibata, found through a recent study that there is great potential for index insurance in Rwanda.

Kalibata said, "We estimate that we can reach more than 300,000 farmers within the first three years."

An added benefit of index insurance is

access to financing, including credit and loans. Over 30,000 Kilimo Salama farmers in Kenya were able to access \$5.5 million in financing because they had insurance. That's big news in Africa where only one percent of the credit market is devoted to agriculture.

GIFF UNDERTAKES \$1.96 MILLION PROJECT TO INSURE HAITI'S MICROENTREPRENEURS AGAINST NATURAL DISASTERS

GIFF signed a \$1.96 million project with the Microinsurance Catastrophe Risk Organization in December 2012. The grant will help expand access to innovative and affordable natural catastrophe index insurance that will be distributed to over **70,000 women microentrepreneurs** through Fonkoze, the largest microfinance institution in Haiti.

The GIFF agreement provides a performance-based grant of up to \$1.7 million to MICRO to subsidize the microinsurance premiums paid by microfinance institution clients. In addition, \$260,000 will be provided in technical assistance to

support the redesign of the microinsurance products; and assist in expanding the economies of scale and availability of this revised product to a larger group of microenterprises through multiple MFIs.

"In Haiti, entrepreneurs are at the base of the pyramid, and women in particular, must be given the opportunity to generate income for their households, grow their businesses, create jobs, and build assets," said Ary Naim, IFC Representative in Haiti. Insurance allows entrepreneurs a means to safeguard their assets and investment. [Read Press Release](#)



Josette Lazzare poses with her children. Kore W, Fonkoze's natural disaster microinsurance product, helped Lazzare get her pharmaceutical business up and running after floods in 2012 destroyed all her medical supplies, allowing Lazzare to respond to hundreds of cholera victims in her community.



Expanding Index Insurance Markets in Africa: Interview with Christina Ulardic

Vice President, Corporate Solutions, Swiss Reinsurance Company

Q: What is the history of Swiss Re's involvement with weather index insurance?

A: Swiss Re Corporate Solutions has been a frontrunner in weather insurance markets for the last 15 years. The Indian weather insurance market is one of the exemplary cases for Swiss Re, which we began developing in 2004 together with local direct insurers. We started with coverage for 1,500 farmers and the market has since grown to cover over 11 million smallholder farmers in 2012. We believe this success can be replicated with smallholder farmers on the African continent as well.

Q: How long has Swiss Re been working in Africa on weather insurance?

A: Swiss Re has been working with partners in Africa since 2006, and with GIIF since 2009, insuring in total 175,000 farmers in 2012. Swiss Re is currently the largest player in the commodity markets space in Africa. We understand how to

create drought or yield protection products based on various data sources and provide the risk capacity needed to absorb large payouts. GIIF's seven implementing partners are responsible for product distribution, customer education and product validation.

Q: What is needed now for the weather insurance market to scale up in Africa?

A: Unlike India, the African market consists of 54 countries with different economies, jurisdictions and political systems. The quality of physical infrastructure is poor. So GIIF implementing partners might have to reach scale through the portfolio-level aggregators and focus on the portfolio rather than retail level. Partners are working with a wide range of aggregators from agribusinesses to banks and MFIs to agricultural cooperatives.

Product innovation will also be critical. We will have to find ways to use gridded weather data. The difficulty here lies in product design to minimize basis risk (i.e. mismatch between amount of damage



Christina Ulardic

on the ground and index payouts). The opportunity for scaling up the weather insurance market in Africa is there. We can start to market the products more systematically, and IFC's large network of agribusinesses and financial clients in Africa could be of great benefit in expanding the market.

GIIF IN THE NEWS

Swiss Re [Bringing Microinsurance to Scale](#)

Christian Science Monitor [Hot idea to keep African farmers planting harvests 100,000th participant](#)

BBC [Tech fix for Africa's big farming challenge](#)

NTV Kenya [Livestock insurance for dairy farming](#)

MicroEnsure [MicroEnsure and the Rwanda Meteorological Agency Form Strategic Partnership to Protect Smallholder Farmers](#)

CTA [CTA Interview of Shadreck Mapfumo, GIIF Senior Financial Specialist](#)
[English](#) | [Français](#)

GIIF's objective is to expand the use of index insurance as a risk management tool in agriculture, food security and disaster risk reduction. In 2010 natural catastrophes (floods, droughts, earthquakes, wind storms) resulted in economic losses of **\$150 billion globally** and affected millions of people. Climate change is exacerbating the severity and frequency of natural catastrophes.

GIIF/IFC TEAM

Turkey

Gilles Jacques Galludec (Head Micro Retail)
Selin Konrat (Associate Operations Officer)

Indonesia

Vijay Kalavakanda (Global Product Specialist)
Utako Saoshiro (Operations Officer)

South Africa

Shadreck Mapfumo (Senior Financial Specialist)
Chloe Djene Dugger (Program Management Consultant)
Christina Files (Knowledge Management Specialist)

Ukraine

Gary Reusche (IFC/AgrilInsurance Program)

GIIF Country Updates

SUB-SAHARAN AFRICA (EAST, SOUTHERN AND WEST AFRICA)

Benin

PlaNNet Guarantee developed satellite-based weather index insurance products for maize and cotton but these products are still to be launched since PG and its insurance carriers (AMAB and Allianz) have not yet secured regulatory approval to start selling the products. The products will be distributed through one of the largest MFIs in Benin.

IBRD: active GIIF regulatory and policy capacity building

Burkina Faso

Using banks, MFIs, agro-dealers and cooperatives as distribution channels, **PlaNNet Guarantee** is selling a satellite-based drought index product for maize and cotton. Product and market development work started in 2011. However, the main challenge to the project is the reluctance of banks and MFIs to provide finance for agriculture. This is exacerbated by the general lack of liquidity in West Africa. If these problems are overcome, over 200,00 farmers could be reached with weather index insurance products.

Kenya

Kilimo Salama (Syngenta Foundation) has insured over 60,000 farmers with weather, area yield, livestock and satellite-based index insurance products covering maize, beans, sorghum, wheat, coffee and dairy cattle. Farmers can insure inputs or harvests bundled with credit or loans. The **International Livestock Research Institute** sold a livestock index product covering cattle, goats, camels and sheep to approximately 1,000 pastoralists in 2012. **IBRD: active GIIF regulatory and policy capacity building**

Mali

Drought index coverage for maize is being sold by **PlaNNet Guarantee** in over 2,000 locations, mainly in southern Mali. In addition to liquidity constraints, Mali is suffering from political instability and civil war. Cooperatives, which are PG's main distribution channel, are having difficulties accessing financial resources to pay premiums. If by the end of April 2013,

the cooperatives have not secured and paid half of the premium cost, PG will know that the probability of any sales by the start of the planting season will be very slim.

Mozambique

Guy Carpenter insured 43,500 farmers in 2012 with a satellite-based drought index insurance product for cotton through the Cotton Institute of Mozambique. While agriculture in Mozambique accounts for approximately 32 percent of GDP and 81 percent of employment, only a fraction of Mozambique's potentially arable land is under cultivation. Floods and droughts regularly impact agricultural production, and farmers and banks are wary to invest in crops. In the future, Guy Carpenter hopes to see a marked increase in agricultural production due to the introduction of agricultural index-based weather insurance as a risk management strategy.

Rwanda

MicroEnsure has developed drought and excess rain index-based insurance products for rice and maize which it sold to 6,700 farmers in the last planting season. Just over half of the insurance portfolio was linked to loans. The MicroEnsure team is developing additional products for area yield index and exploring the feasibility of a flood index-based insurance product. Commercial banks and MFIs are increasing their loan portfolios to farmers because insurance is viewed as mitigating their risks. The Kenya Commercial Bank has included weather index insurance in its agricultural lending policy.

Kilimo Salama has expanded operations into Rwanda and insured nearly 40,000 farmers, with assistance from GIIF technical partner Swiss Re.

Senegal

PlaNNet Guarantee developed a weather station-based drought index product for maize and groundnut in 2012 in partnership with CIRAD (Agricultural Research for Development). The index insurance products are gaining the interest of large potential subscribers in Senegal including both MFIs and cooperatives. In response to farmer feedback, index insurance products



Farmers sign up for insurance during a village campaign in Burkina Faso. The t-shirt advertises the insurance program Assurance Récolte Sahel.

designed have high frequency and lower payout. The high premium levels proved a challenge in 2012.

IBRD: active GIIF regulatory and policy capacity building

LATIN AMERICA & THE CARIBBEAN

Haiti

Launched in 2012, **MiCRO** is GIIF's newest implementing partner marketing Haiti's first natural catastrophe index product covering rain, wind and seismic activity. MiCRO distributes the product through its MFI partner Fonkoze and currently insures 62,000 women microentrepreneurs in Haiti. MiCRO is the largest microinsurance program for natural catastrophe index products in the country.

IBRD: active GIIF regulatory and policy capacity building

SOUTH ASIA

Sri Lanka

Sanasa Insurance, part of Sri Lanka's largest federation of thrift and credit cooperatives with more than one million members, is pioneering weather index insurance products for rice paddy and tea in Sri Lanka. In the last planting season, Sanasa insured 2,600 paddy farmers and 1,400 tea plantation farmers. There are two payouts annually for rice paddy but 12 payouts annually for tea at the request of the farmer clients (more frequent payouts are smaller in coverage amounts).

WORLD BANK

In **Benin**, the GIIF WB/IBRD Team met with the Ministries of Agriculture and Finance, the Insurance Regulatory Agency and the National Meteorological Service. The government has guaranteed its support for index insurance products. Working closely with GIIF implementing partner PlaNet Guarantee, IBRD will help launch a pilot index insurance project with 5,000 farmers targeted in 2013. In **Senegal**, the IBRD is working with a broad group of stakeholders, including an agri-insurer, farmers' cooperative, meteorological agency and agronomic research firm, on regulatory and technical processes to allow for the launching of a pilot index insurance project with PlaNet Guarantee targeted for 8,000 farmers in 2013.

FINNET 2013 WASHINGTON DC

IFC's **Access to Finance Advisory flagship event** took place February 19-22 in Washington, DC. This year's event drew nearly 400 WBG staff, clients, donors and partners. GIIF hosted a FinNet breakout session entitled "Natural Disaster: Impact on SMEs and Role of Insurance in Mitigating Shocks" and participated in Practice Group sessions on AgFinance/Insurance and MicroFinance/Insurance.

See www.ifc.org/GIIF (Resources)

GIIF/WORLD BANK TEAM

Washington

Michel Noel (Manager, FCMNB)
Peter Wrede (Senior Insurance Specialist, FCMNB)
Nene Diouf (Consultant, FCMNB)

Togo

Fatou Assah (Program Coordinator, FCMNB)
Georges Abbey (Consultant)

Thailand

Olivier Mahul (Program Manager, FCMNB)



Maize farmers insured by GIIF implementing partner Guy Carpenter in Mozambique.

UPCOMING EVENTS

Third Annual Africa Insurance and Reinsurance Conference

June 18-19, Nairobi

[Conference Website](#)

IFC Financial Markets Knowledge Forum

June 19-21, 2013, Cambridge, Maryland

FY13 MID-YEAR RESULTS

Clients insured stood at **228,000** with a **total insurance portfolio of \$51 million (sums insured) and payouts at \$686,000**. GIIF's seven implementing partners are scaling up index insurance markets in **seven countries across Africa, Haiti in the Caribbean and Sri Lanka in South Asia**. The **World Bank/IBRD** is actively working on regulatory and policy issues to facilitate setting up index markets in 25 countries in sub-Saharan Africa and Latin America and the Caribbean.

About the GIIF Initiative

Launched in 2009, the Global Index Insurance Facility is a multi-donor trust fund financed by the European Union, Japan and the Netherlands and implemented by IFC and the World Bank.

www.ifc.org/GIIF

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