BACKGROUND
Burkina Faso’s economy is heavily reliant on agricultural production, with close to 80 percent of the active population employed in the sector. Cotton is the country’s most important cash crop. Against this backdrop, index-based insurance solutions have been developed to protect smallholder farmers, in particular cotton growers and multicereal farmers.

PROJECT DESCRIPTION
In March 2016, PlaNet Guarantee (PG) entered into a contract with the World Bank Group to offer solid technical support to Global Index Insurance Facility (GIIF) projects that are focusing on capacity-building activities, with special emphasis on training and skills transfer to selected insurers. The products currently offered with Allianz Burkina Faso are a multicereal satellite drought index distributed by local microfinance institutions (MFIs), and a cotton average-yield index dedicated to SOFITEX farmers. (SOFITEX is the national cotton company of Burkina Faso.)

RESULTS AND IMPACTS
In 2014, 7,500 SOFITEX contract farmers who had received input loans from Ecobank through their cooperatives were insured with a satellite index (for maize) and an area-yield index (for cotton). A 2011 PG study found that index-based crop insurance in Burkina Faso has had a positive impact on the amount of credit given, the amount of fertilizer purchased, the volume of production, and the added value. The amount of credit that farmers received once they had insurance was 170% more than they had received without insurance.

The variety of distribution channels that are supporting the pilot is the key to the project’s success. (This includes MFIs, banks, and NGOs.) In addition to Swiss Re, another major international reinsurer, Hannover Re, carried the risk for PG. PG’s Burkina Faso area-yield-based cotton product started in 2013. Hannover Re’s entry into the market is a major development that indicates the growing viability of index insurance in the West African market.

CHALLENGES & NEXT STEPS
The cotton value chain is highly structured, with the short-term financing needs of smallholder farmers met by the cotton companies. This sector offers a potential of 350,000 insurable smallholder farmers. The possibility of making the product mandatory for all SOFITEX farmers offers strong scaling-up possibilities. Regarding cereal products, targeting larger MFIs and examining mobile distribution are further pathways toward reaching scale.
Global Index Insurance Facility (GIIF) is a dedicated World Bank Group’s program that facilitates access to finance for smallholder farmers, micro-entrepreneurs, and microfinance institutions through the provisions of catastrophic risk transfer solutions and index-based insurance in developing countries. Funded by the European Union, the governments of Germany, Japan, and the Netherlands, GIIF has facilitated more than 1.5 million contracts, covering approximately 6 million people, primarily in Sub-Saharan Africa, Asia, and Latin America and the Caribbean. The facility is part of the World Bank Group’s Finance & Markets Global Practice.

For more information, please visit www.indexinsuranceforum.org. Join us on LinkedIn: Global Index Insurance Forum Group.