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Technical training for insurers in DRC on index insurance designing and pricing.

May, 2022

Study tour in Senegal with delegation from DRC and Guinea to learn from CNAAS experience.

# DRC: Creating crop insurance market and protecting smallholders' farmers



Guinea delegation reunited with the Minister of Agriculture of Senegal Monsieur Pr Moussa Baldé during the study trip.



ACTIVITY SNAPSHOT  
GLOBAL INDEX INSURANCE FACILITY

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Located in the heart of Africa, with a land surface area of 2.3 million km<sup>2</sup>, the Democratic Republic of Congo (DRC) is the largest country in Sub-Saharan Africa (SSA) with rich soil and subsoil; over 80 million ha of fertile and arable land, and 52 percent of all freshwater resources in SSA. Agriculture accounts for about 20 percent of GDP and employs some 70-75 percent of the economically active population[1]. DRC could potentially feed the entire African continent, yet it is currently unable to adequately feed its own population. The immense potential of the agricultural sector as a vehicle for poverty reduction and economic development is largely untapped. People in the agriculture sector are exposed to many risks as well as financial shocks that reinforce the cycle of poverty. However, financial services particularly insurance can help manage these risks and shocks more effectively.

In DRC, the lack of an appropriate risk management mechanism is among the constraints to access to finance in the agricultural sector. Indeed, the insurance sector is largely underdeveloped with a penetration rate of less than 1%. From 1966 to 2015, the only insurer, SONAS, had the legal monopoly of all insurance activities in the country. In 2015, the Insurance Code liberalized the sector, allowing the establishment of the Insurance Regulation and Control Authority (ARCA, by its French acronym) in 2017. Since then, eight insurance companies and many brokers have been licensed and are operating in the market. The market is estimated to have a growth potential of at least \$500 million premium volume.

[1] World Bank 2017, DRC Agriculture Sector Review

The development of agricultural insurance will not only increase the penetration of insurance but could also play an important role in improving access to credit for farmers in the DRC while increasing the resilience of households and businesses dependent on agriculture.

Closing the protection gap in the agricultural sector will contribute to improving the performance of the agriculture and insurance sectors and requires the implementation of several simultaneous actions, which the GIIF is supporting as part of a WBG project.



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This project aims to contribute to the stability, integrity, inclusivity, accessibility, and sustainable development of the financial sector in the Democratic Republic of Congo through four main pillars: Financial Stability in DRC; Financial Sector Vulnerabilities Diagnostic; Development of Agriculture Insurance; and Harnessing Innovation for Financial Inclusion (DRC HiFi).

Under the Agriculture Insurance pillar, GIIF is working to set up the building blocks for a sustainable development of crop insurance market targeting smallholders' farmers in DRC through:

### **Reforms of the insurance code for more inclusiveness**

The long monopolistic period of SONAS contributed to making the texts governing the insurance sector obsolete. The 2015 Insurance Code is the first step of reforms initiated to update the legal and regulatory framework and attract the private sector. With GIIF support, new texts have been developed to govern microinsurance and parametric insurance. Microinsurance increases insurance's inclusiveness while parametric insurance has broadly demonstrated a protection effect for

smallholders against production risks using yield/climate indices and by facilitating access to credit and inputs. These two texts are in the process of being adopted by the insurance regulator. The adoption of texts on parametric insurance is essential for the National Agricultural Development Program (PDNA) which will pilot a meso-level risk transfer solution to protect producers' investments in smart technologies. Still in the process of making insurance more inclusive, the GIIF will also support the development of texts on digital insurance.

### **Technical assistance to public and private sectors to set a solid foundation for a sustainable agricultural insurance market**

ARCA (the insurance regulator) with GIIF support conducted a feasibility study to better understand the interconnected of the facets of agricultural insurance and to support its development in the country. The study examined the feasibility of developing an agricultural insurance market targeting small and medium-sized farmers and included a value chain analysis to identify 3-4 promising agricultural value chains to start with

for an in-depth technical, operational, financial, and institutional feasibility analysis as well as the identification of constraints that can or hinder the development of agricultural insurance in DRC. To ensure the participation of all players, ARCA has set up a National Committee for the Development of Index Insurance that includes stakeholders from the public sector (sectorial and finance ministries) as well as the private sector (the professional association of insurers, financial institutions, producer and organizations). This Committee supervised the feasibility study which recommended starting food crops the population depends on day to day like cassava, maize, and plantain in six promising provinces: Equateur, Kwilu, Kwango, Kongo Central, North Kivu and South Kivu. This selection of provinces was made on the basis of their level of production, yield, exposure to risk, as well as the existence and strength and potential distribution channels.

GIIF provides technical assistance to this Committee through trainings on topics such as agricultural insurance, institutional arrangements and so on; south-south learning exchanges via webinars and learning study tour. The first learning trip took place in Senegal in May 2022 to learn from this country's decade-long experience of implementing an agricultural insurance program. It included delegations from the DRC and Guinea interested in discovering the Government of Senegal's innovative support to crop insurance via premium subsidy as well as the distribution model comprising of bundling with credit and via farmers organization. The delegations also learnt about CNAAS' challenges in the implementation of the national agricultural insurance scheme. CNAAS is Senegal's national agricultural insurer.

Of the visit, this is what participants from the DRC and Guinea had to say:

**"Before this study tour, I did not believe much in agricultural insurance, but thanks to this exchange, I am convinced that it is an effective way to secure food production and farmers without which food security would never be effective."**

Mrs. Aissata Yattara, National Confederation of Farmers' Organizations of Guinea

**"From this study tour, it is clear that any agricultural development is dependent on compliance with meteorological instructions (the agricultural calendar and seasonal forecasts) and on the insurance of climatic risks (flood, drought, death of livestock, etc.)"**

Mr. Ibrahima Kalil Kanté, National Meteorology of Guinea



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**“I am very grateful to the World Bank Group for organizing the study trip to Senegal so that the members of the Democratic Republic of Congo’s National Agricultural Insurance Development Committee can draw on the country (Senegal)’s experience. This trip allowed me to experience the reality and the feasibility of the index product. The experience of CNAAS made it easier for us to know where they started so as not to make the same mistakes they made during the implementation period of their project. We also noted the involvement of the Senegalese Government in the donation of grants and especially the relevant contribution of the meteorological service that helps insurers to minimize risks.”**

Christian Muta, Assistant Managing Director, Mayfair DRC and Representative of the Association of Insurance Companies in DRC.

Other analytical work, particularly on the establishment of a smart premium subsidy scheme as well as south-south exchanges on bundling crop insurance with inputs/credit and distribution via mobile are also planned in the coming months.

## **Start small...with the goal of scaling up through targeted support to insurance companies**

GIIF has developed a dedicated capacity building program on agricultural insurance design and pricing for insurers. About 25 participants participated to the first series of such technical trainings in DRC. GIIF support on analytical work and technical assistance, combined with strong engagement of ARCA and private insurers set the path to competitive selection of two insurers to start agricultural insurance initiatives based on the findings of the feasibility study. At this phase of engagement, GIIF support will include data acquisition, support for product development and pricing, development, and implementation of financial

education campaigns on agricultural insurance. A contribution of both human resources and finances is among the selection criteria for insurers to start the crop insurance initiative in DRC set for the next agricultural season.

The support of the GIIF in the DRC and elsewhere aims for a better collaboration between the public and the private sector as illustrated by the mobilization of the resources and expertise from both World Bank and IFC to create a sustainable agricultural insurance market supporting national programs such as the PNDA. These partnerships are also critical for financial inclusion, access to credit, and climate risk management for small agricultural producers who feed the African continent!



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