Global Index Insurance Facility

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 being offered in Mali are satellite index-based insurances developed in partnership with Environmental Analysis and Remote Sensing (EARS), and in close collaboration with Mali Meteo and SUM AFRICA. They are drought index-based on relative evapotranspiration for maize, sesame, and multicereal. The sesame and maize indexes have been updated, and this year a new generic drought product was also developed, and is being offered in new regions of Mali.

RESULTS AND IMPACTS

In the beginning, confronted with a challenging local context (a high level of taxes; a lack of agricultural financing mechanisms; weak development of the main agricultural value chains), the index-based insurance program met with difficulties. However, innovative use of technology, for example the use of satellite information to design products in the absence of yield and weather-station data, has helped to create a market. PlaNet Guarantee also employed a participatory approach to product development – conducting focus groups and working with farmers to design the products they have requested.

NEXT STEPS

The scaling-up strategy is based on two components:

- Bundling index-based insurance products with input financing provided by commercial banks, microfinance institutions (MFIs), and input dealers; and
- Mobile distribution.

It is also important to implement the following steps:

- Develop long-term reinsurance contracts in order to align the cost of contracts with farmers’ ability to pay;
- Address structural financial illiquidity in the agricultural sector. Products are often sold in conjunction with credit but farmers and cooperatives have difficulty in accessing credit because lending institutions estimate the risks of the farming activity, as well as the entire agricultural value to be too high. The index-based insurance product helps secure investment; adding additional products and services (such as risk mitigation practices) will help increase farmers’ access to credit;
- Continue marketing, training, and capacity-building activities, to raise awareness on index insurance within the sector; and
- Develop regulatory rules to allow for the dematerialization of insurance contracts, premium subsidies, etc.
PlaNet Guarantee activities in Mali started in 2009 through a partnership with the African Enterprise Challenge Fund (AECF) and Allianz Mali, the local subsidiary of Allianz Africa. The aim is to develop and implement a range of index-based insurance solutions called “Keleya Nyesigui” (crop protection) that target cash-crop farmers. Working with EARS, a maize drought index based on relative evapotranspiration data provided by METEOSAT has been developed. Sesame and generic insurance solutions were introduced in 2015 and 2016 respectively.

PG also provides technical assistance to Mali Meteo and several farmer organizations within the framework of a SUM AFRICA project financed by the Netherlands Space Office in partnership with EARS, for the development of local insurance skills and the facilitation of the scaling up of index-based crop insurance in Mali.

<table>
<thead>
<tr>
<th>Product available</th>
<th>Rainfall or satellite-based weather index insurance (for groundnuts, maize, millet, rice, sesame, generic), area-yield index insurance (for cotton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Insurance Portfolio</td>
<td>78,856 insured farmers and US$1,058,810 collected premiums in Senegal, Mali, Burkina-Faso, Benin, and Ivory Coast.</td>
</tr>
<tr>
<td>Average Cost of Insurance</td>
<td>11%, US$13 per farmer</td>
</tr>
<tr>
<td>Local insurance companies</td>
<td>CNAAS, Allianz Mali, Allianz Burkina-Faso, AMAB Benin, AXA Côte d’Ivoire</td>
</tr>
<tr>
<td>International Reinsurers</td>
<td>Swiss Re, Africa Re, CiCA Re, and Hannover Re</td>
</tr>
<tr>
<td>Contact</td>
<td>Diakaridia Soumahoro</td>
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</tbody>
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About Global Index Insurance Facility

The 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.
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