



GRAMEEN CRÉDIT AGRICOLE

Microfinance Foundation

Challenges in Index agri-microinsurance

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— PROVIDING HOPE THROUGH LENDING —

Grameen Crédit Agricole Foundation



- ❑ A unique partnership between the Grameen Trust and the Groupe Crédit Agricole
- ❑ Mission to contribute to poverty alleviation through the support, investment in MFIs and Social Business enterprises
- ❑ Focus on social, rural MFIs serving women and financing agriculture activities
- ❑ As of March. 2015 support of 14 SB enterprises and 48 MFIs in 25 countries, mainly in Africa.
- ❑ **Active in agriculture microinsurance since 2011**
 - Research (Pacifica, Airbus, University of Nanterre and Dauphine)
 - Networking (MIN, GAN, GIIF) – Awareness raising (field trips India, Mexico)
 - Investment (ACRE – Kenya, Rwanda, Tanzania and Planet Guarantee – Senegal, Benin, Burkina Faso, Mali)
 - Advocacy (promoting an international coalition)



Challenges



- **Distribution channel – working with MFIs and other stakeholders**
- **Designing product and collecting data**
- **Finding the right partners and the need for a strong coalition of actors**



Foundation's experience with MFIs and Agri Insurance



- Few MFIs partners lend to finance agriculture activities even if they are working in rural areas.
- Mitigated interest for agri microinsurance but the experience with Planet Guarantee and ACRE shows that working with MFIs is possible, even if they are not so far their main distribution channel.
- For example, Soro Yiriwaso (Mali) had a program on agri insurance but could have sell more insurance policies if it would have benefited from more financial investments to finance on time the agriculture activities of small holders farmers.
- On going pilot project with RMCR (Mali) with Planet Guarantee (design products), SCBF (Technical Assistance), GCAMF (investment both for loan portfolio + premium financing)
- Agri Insurance is complex but could be made simpler with the appropriate partners.



Finding the right distribution channel ...



Financing agriculture activities ...

- Far too few MFIs involved in agri finance,
- Seed companies, agri input providers good potential
- Farmers association, cooperatives really interested but usually governance issues and weak financial management
- Private Insurance companies interested but often lack know how
- Too few governments really involved
- Difficulties to raise funding at the international and local level for agriculture financing
- No know how available within the MFIs, investors, insurance companies, etc. not enough trainings...

Complex partnership

- Partners who do not know each other
- MFIs still don't know well all the actors of the agriculture / insurance sector (lack of value chain approach)
- Mistrust from clients and actors

Insurance

- A window of short sale before the campaign - Sale of products when the farmers have no liquidity
- An operational cycle not always synchronized with the cycle of loan of the MFI
- Difficulty in seeing how a flexibly-priced product such as index-based insurance can be integrated into credit products without disrupting product calculation operations and process
- Difficulties in understanding the added value of insurance for the MFIs and the farmers
- Misunderstanding of how the agricultural microinsurance works, of how the indices are calculated, of how is the index-based approach



Designing good products thanks to good data ...



New technologies and index-based insurance make agricultural microinsurance accessible to small producers

through mobile financial services, automatic weather stations and satellite climate imagery; but

- Difficulties to get the right, long term data in most countries with low/inexistent support from government in building-up the needed infrastructure to collect them
- Need to create its own network of weather stations, for example; or to use satellite imaging
- Satellite and or weather data needs to be compared with yield data and the agronomic reality to create a relevant index.
- Product design can be very complex, needs to be adapted per region and product
- Challenge of final cost for the farmers and basis risk



Right partners for a strong coalition



- ❑ Difficulties to find partners interested to further develop such approach.
- ❑ Need to **to set up a collaborative effort to drastically expand the reach of microinsurance to cover over 300 million smallholders in developing countries with 10 years:**
 - ✓ Aggregating and disseminating market intelligence: generate data on market size and growth, crops covered, type of products used, financial performance achieved, outcomes and key bottlenecks.
 - ✓ Educating governments and regulators on agricultural microinsurance:
 - ✓ Raising funds for agricultural microinsurance: existing funding is not commensurate with the estimated market size (>USD 8.8 bn)
 - ✓ Helping improve the cost-effectiveness of reinsurance solutions: Cost-effective reinsurance solutions remain a bottleneck, and there is a high need to inform and involve reinsurers.
 - ✓ Aggregating information on project evaluations and disseminate learnings.

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Thanks !

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