

## Weather Index Insurance in Rwanda

**Agriculture is the key economic activity in Rwanda, with 90% of the labor force employed in the agricultural sector.<sup>1</sup> Smallholder farmers in rural areas are subject to crop damage caused by a variety of adverse weather conditions and as a result are largely excluded from access to finance.**

**MicroEnsure and the IFC's Global Index Insurance Facility program are working together to help bring affordable, flexible and responsive weather index insurance to low-income farmers in Rwanda.**



### OBJECTIVES:

In November 2010, the IFC's Global Index Insurance Facility (GIIF) entered into an agreement with MicroEnsure providing a grant to incentivize MicroEnsure to:

- (a) Design new and affordable index based insurance products;
- (b) Develop an effective distribution network that expands outreach to low income farmers; and
- (c) Scale-up agricultural index insurance into a commercially viable and sustainable product

As of March 2012, 6,208 maize and rice farmers have been covered with weather station and satellite index products in the country. The project aims to provide insurance coverage to 24,000 farmers by the end of December 2013.

- The GIIF program is part of the World Bank Group's insurance initiatives to respond to challenges presented by climate change, food security and disasters risk management.
- GIIF addresses the scarcity of affordable insurance protection against weather and natural disasters in developing countries.
- GIIF was launched operationally in December 2009 with an initial focus on Africa where a number of projects have already started implementation. GIIF is, however, a global program and has commenced expansion in Latin America and Caribbean, South Asia, East Asia and Pacific.

### PROJECT PARTNERS



MicroEnsure, created in 2005 by Opportunity International, is the world's first stand-alone micro-insurance agency.

It works in partnership with microfinance organizations, rural banks and savings and credit cooperatives, as well as with humanitarian organizations, as an insurance intermediary serving an affordable and diverse range of insurance products.

Currently, MicroEnsure provides a range of life, property, livestock, weather index, disability, unemployment and health insurance products. It has previously worked with local insurance companies in India, Malawi, the Philippines, Rwanda and Tanzania on weather index insurance products.

MicroEnsure is partnering on the ground in Rwanda with Urwego Opportunity Bank which is a subsidiary of Opportunity International and is working with loans, savings, and insurance products; the Rwandan Ministry of Agriculture; the Rwandan Meteorological Agency; and local insurance companies Sonawara and Soros.

<sup>1</sup> CIA world fact book on Rwanda

## MICROENSURE'S WEATHER INDEX INSURANCE PILOT IN TANZANIA

MicroEnsure's pilot project in Tanzania aims at providing weather index insurance to Tanzanian cotton farmers through the Tanzanian Cotton Board. The pilot is supported by the Gatsby Foundation, the local underwriter Golden Crescent, and reinsurance company Swiss Re in the context of its technical partnership agreement with IFC/GIIF.



In this pilot, GIIF's support was utilized to cover the cost of data procured from EARS, an institution based in the Netherlands that designs alternative index insurance products using the relative evapotranspiration (RE) measurement. The use of an alternative index was deemed necessary due to the fact that weather data sources were not sufficient enough to provide a robust index product in the country.

The Tanzania program provides cover for the value of the inputs provided on credit to farmers. This enables farmers to increase their productivity knowing that their loans will be repaid in the event of a drought.

The pilot began in December 2011 and will run until the end of April 2012. It has initially covered 24,000 farmers with a total premium paid of 23.5 million Tanzania shillings. The program intends to extend cover to 400,000 farmers in the long run.

### LESSONS LEARNED

#### **Reliable & Available data:**

Gaps in historical weather data cannot be easily addressed, even when new weather stations are installed and new data is collected. It can be expected that premium rates are going to be higher in countries with countries lacking sufficient historical data. The premium rates that are loaded to address data risk are likely to be unaffordable to smallholder farmers. It is important to do an affordability assessment upfront. It is also advisable to explore alternative technologies for developing the indexes, including satellite data.

#### **Alternative partnership solutions:**

It is important for Greenfield products to have an open approach about project partners. Project teams have to be flexible to work with alternative solutions to continue offer new products in places where data challenges pose significant risks. Continuous support and guidance to the project team is needed throughout the design and pricing of new products.

### IFC'S ADDITIONALITY

In placing its confidence in index-based agricultural insurance, IFC lends credibility and provides a stamp of approval to this concept and attracts other financial institutions to follow suit and offer capital market instruments to share such risks.

IFC is uniquely situated on the ground through its experienced staff in the region and its established distribution channels.

The Project is expected to have a high development impact in Rwanda. It facilitates the development of a risk-transfer product to provide partial loss coverage in the event of losses from natural events that have impacts on livelihoods. It is expected to have positive impacts on rural/agricultural communities, which are among the poorest segments of the population.

#### **Contact Information:**

**Peter Maina**

**Phone:** +27 11 731 3223

**E-mail:** [PMaina@ifc.org](mailto:PMaina@ifc.org)

**Sherry-Lee Singh**

**Phone:** +27 11 731 3174

**E-mail:** [SLsingh@ifc.org](mailto:SLsingh@ifc.org)

#### **Donors and Partners**

The European Commission is the primary donor to the initiative and has committed EUR 24.5 million to facilitate reaching the objectives of the facility. The GTF is also supported by Japan's Ministry of Finance with a grant of US \$3 million, and the Dutch Ministry of Foreign Affairs, which provided US \$500,000 to establish the facility.

