



Algérie

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### Area yield crop insurance, a key component for a sustainable agricultural development approach in Mali



## FADQDI

La Financière agricole Québec 🌄 👪



#### State agency

- Delivers financial risk management services to farmers in Québec (Canada)
  - Crop insurance
  - Income insurance
  - Loan guarantee



- Independent and non-profit organization
- Shares the expertise developed in Canada in agricultural development
- Risk management approach
- Supports:
  - Insurance companies
  - Financial institutions
  - Governments

## Agricultural and Rural Finance in Mali (FARM project)



## **Crop insurance: first steps**

Feasibility study for crop insurance in West African Economic and Monetary Union (AECOM and FADQDI, 2011)

#### Characterization of agriculture in Mali

- Geography and climate
- Agricultural sector
- Insurance sector
- Agricultural production
- Risk assessment
- Value chain classification



## **Proposed** approach

- An area-yield index insurance for rice:
  - Homogeneous production areas
  - Protection based on historic datasets of yields for the areas
  - Premiums based on risk analysis of the historic dataset
  - Collective assessment of actual yields and indemnities, when applicable
- Strategic positioning, in complementarity with other stakeholders in the risk management ecosystem
  - African Risk Capacity / Early warnings system
  - Weather index insurance



## Area-yield crop insurance advantages and constraints

- Index insurance allows to reduce management cost, avoid moral hazard and mitigate adverse selection
- Basis risk can be reduced when sampling plans are well designed
- Recollection of yield data provide statistics for agricultural sector development
- A network of agents can collect data, but also provide information to farmers
- **Responsibilities must be shared** to maintain affordability







## **Management process for stakeholders**







## **Key partners: aggregators**

- Agricultural cooperatives and microfinance institutions (MFI)
  - Project and program definition
    - Identification and characterization of insurance areas
  - Enrolment:
    - List of members
    - Collective enrolment
  - Yield assessment
    - Market and production data
  - Compensation

Development of a win-win partnership



## **Other partners**

#### Government department and agencies

- Agriculture regional departments
- Meteorological agency
- Early warning system
- Statistical services
- Extension services
- Service providers
  - Consultants: samplings and surveys



#### Setting up a committee of data producers



## **Expected outcomes for farmers**

- Reduced exposition to natural risks
- Affordable protection
- Solvency is protected: enhanced access to finance
- Can maintain their activities and invest
- Insured farmers have the responsibility to
  - declare areas under production
  - pay the premium
  - contribute to yield assessment (when selected)



# **Expected outcomes for the agricultural** sector

#### Production of high quality statistical datasets

- Improved decision making for:
  - Agricultural sector development
  - Food security
- Contribution to other risk management mechanisms
  - Early warning system
  - > ARC
- Increased activity of MFI and banks in rural areas
- Incentive for farmers to work with aggregators
  - Cooperatives
  - MFI



### **Contribution to agricultural development**





## Next steps

- Finalize agreements with insurance companies
- Involve government:
  - Tax exemptions for agricultural insurance
  - Contribution to premiums
- Expand crop insurance to other areas
- Develop crop insurance for other crops
  - Onion
  - Other cereals



## **Key findings**

- Mapping the agricultural sector leads to a strategic positioning
- Partnerships with aggregators bring a lot of value for clients and insurers
- A lot of resources must be invested in training and information campaigns
- Risk management mechanisms are required at different levels:
  - Microinsurance for farmers brings a significant contribution to insurance against disasters



# Thank you for your attention !



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