



# Scaling up index insurance for smallholders - lessons learned from Uganda

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# Uganda is a rapidly developing country, a huge demographic challenge

## Uganda Median Age

15.8 15.7 15.9



Total



Male

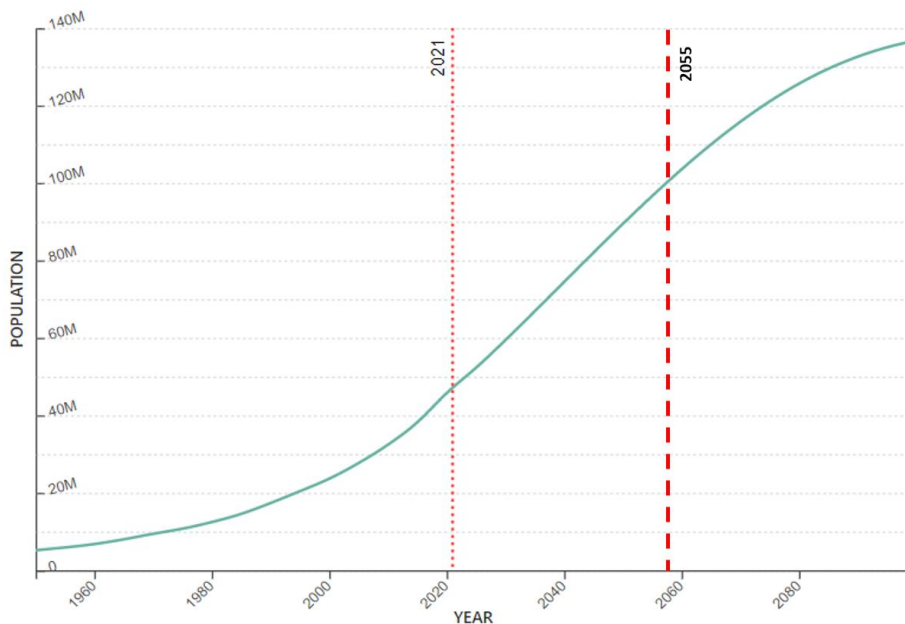


Female

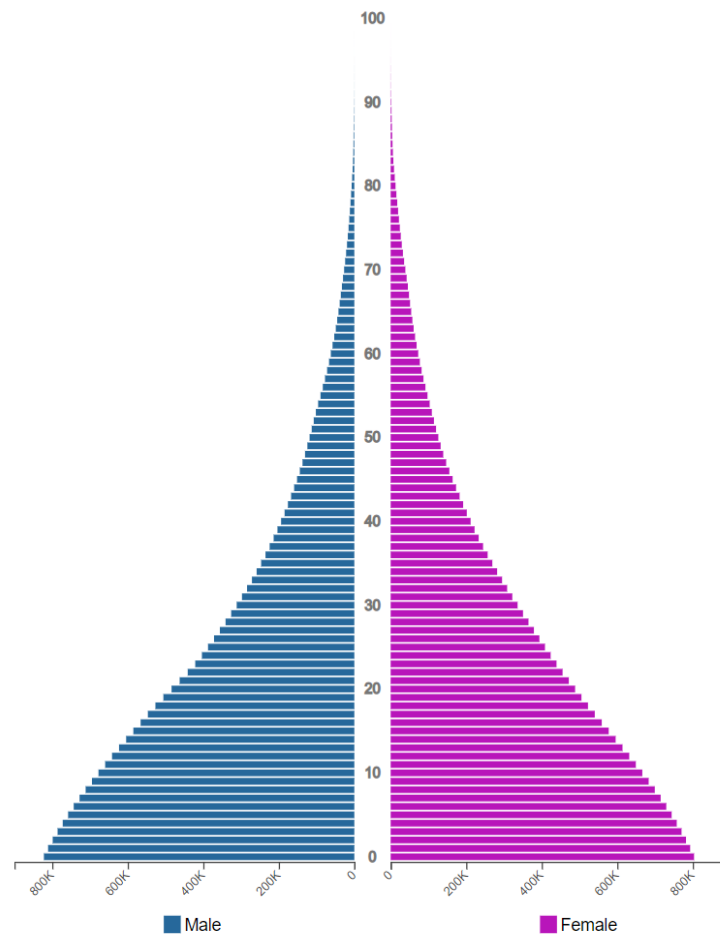
## Uganda Population by Age

There are 22,285,035 adults in Uganda.

## Uganda Population



## Uganda Population Pyramid 2021





# Agriculture is of major importance

## Economy

- 25% of GDP
- 34% export earnings
- 65% of working population
- 2% annual increase in agricultural output (significantly lower than population growth!)

## Food security

- About 11% of population is chronically food insecure
- Periodical undernourishment and malnourishment prevalence is much higher
- Existing trend towards increased food insecurity is worsened due to COVID-19 crisis

<http://www.fao.org/uganda/news/detail-events/en/c/1293240/>

<https://www.wfp.org/publications?f%5B0%5D=country%3A2105>

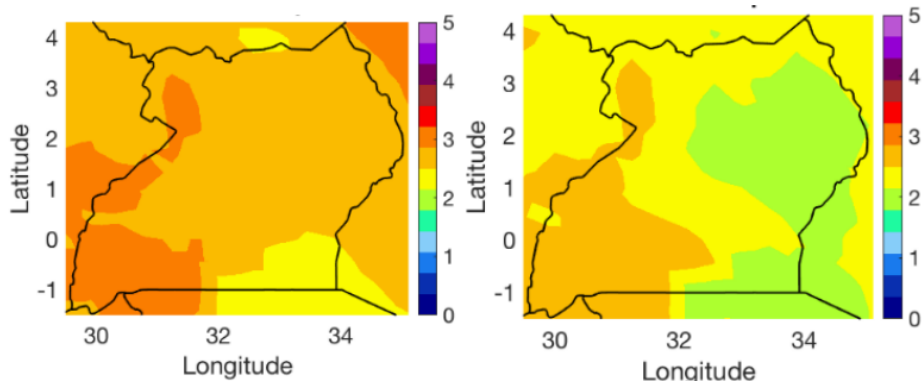
<https://www.agriculture.go.ug/agricultural-sector-potential/>

<https://www.worldbank.org/en/country/uganda/publication/ug-uganda-developing-the-agri-food-system-for-inclusive-economic-growth>

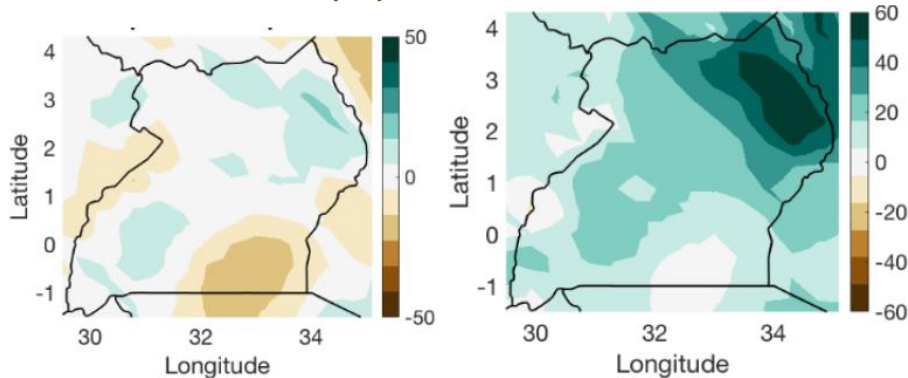


# There is need to address climate risks and increase farmers' resilience

Projected seasonal mean changes in temperature (C) for 2050s

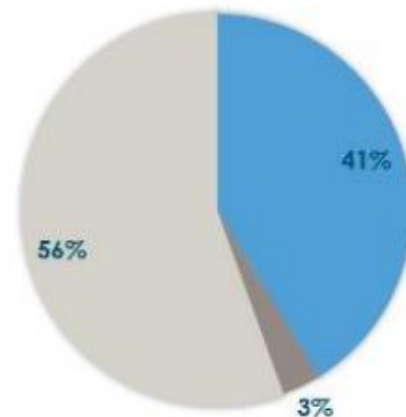


Projected seasonal mean changes in rainfall (%) for 2050s



HOW HAS THE START OF THE LONG RAINY SEASON CHANGED?

■ Delayed start ■ Early start ■ Unpredictable



source: SNV,2019



# Which led to the creation of the Ugandan Agriculture Insurance Scheme (UAIS)

- Launched in 2016 as a 5-year pilot -----> extended until at least 2024
- PPP: Ministry of Finance Planning and Economic Development (MoFPED) - Agro Consortium
- 30% to 80% premium subsidy across the country - fixed premium rates





We have been supporting UAIS and developing the Ugandan agricultural insurance market since 2014



Ministry of Foreign Affairs





# Working with a growing network of strong local partners and key distributors



Enabling Agricultural Value-chains



- ✓ Farmer coops
- ✓ Agritech
- ✓ Fintech
- ✓ Banks
- ✓ Agribusinesses



Ibero Uganda

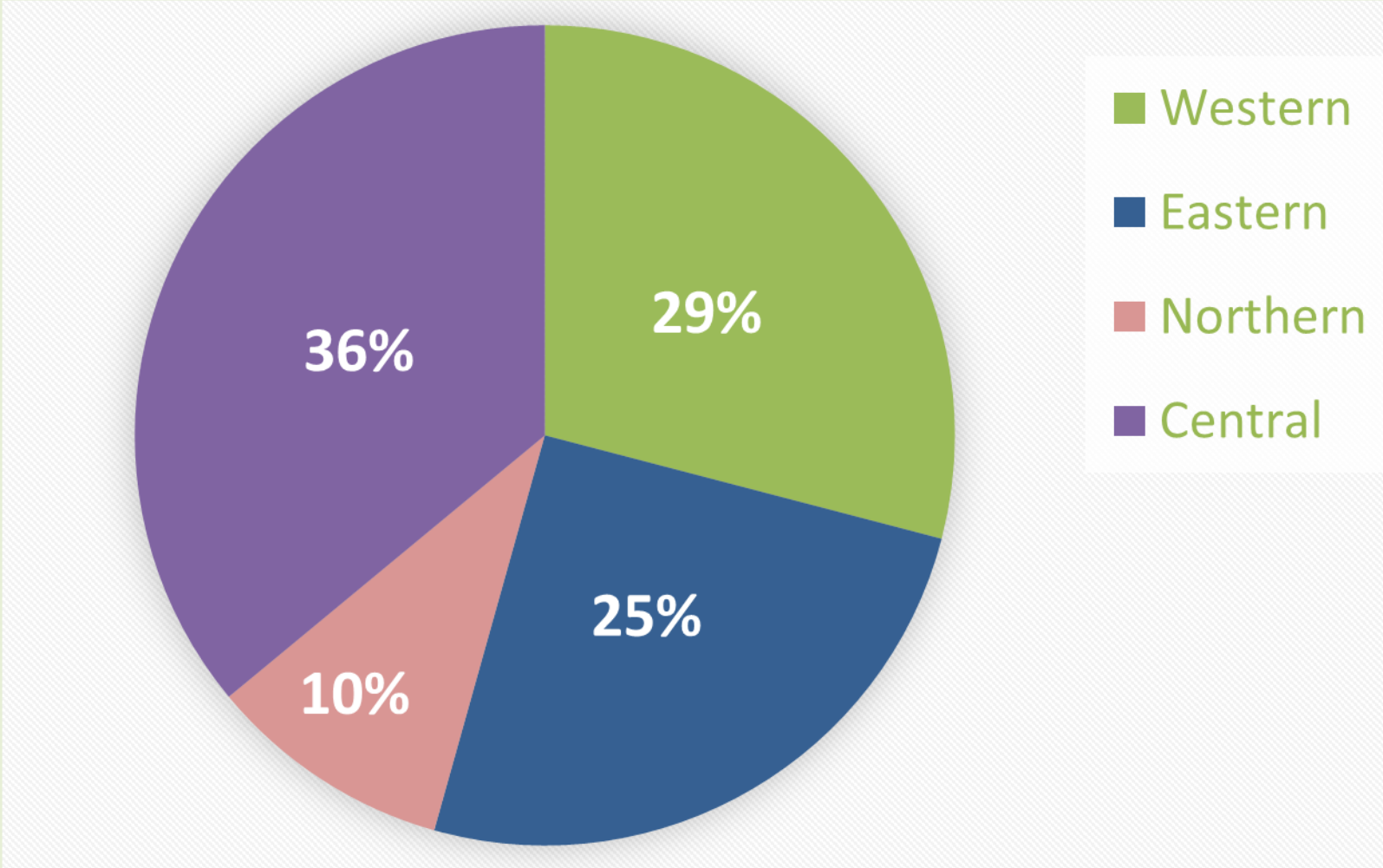


TOUTON





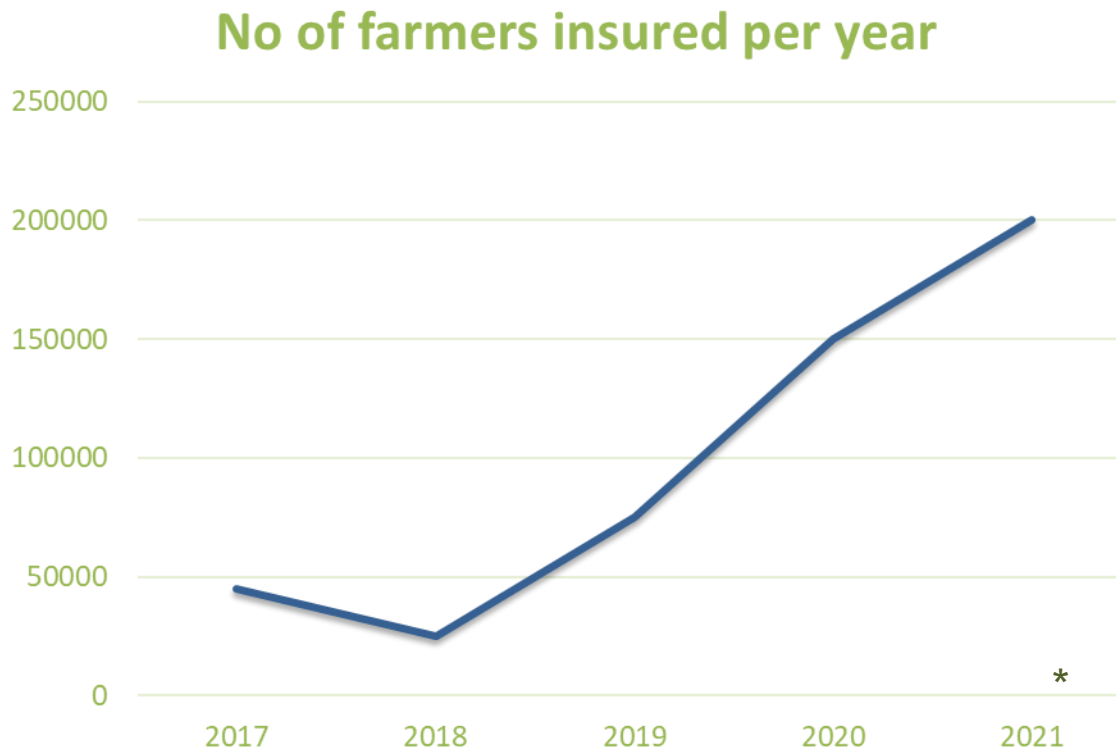
And we are trying to reach farmers in every part of the country







# We are successfully scaling up insurance uptake



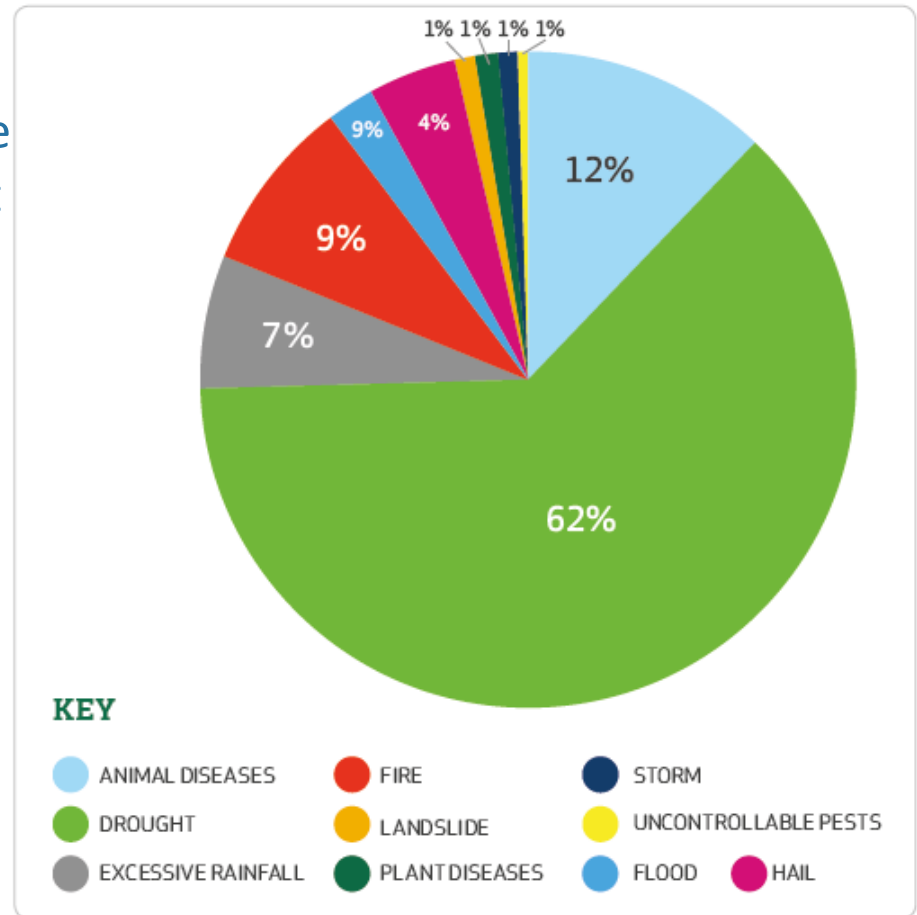
\*estimation: we are expecting to exceed 200k policies by the end of 2021



# Index Insurance is a major pillar of the UAIS

Drought has been the highest contributor to losses. This has led to the emphasis to promote Weather/drought Index insurance product.

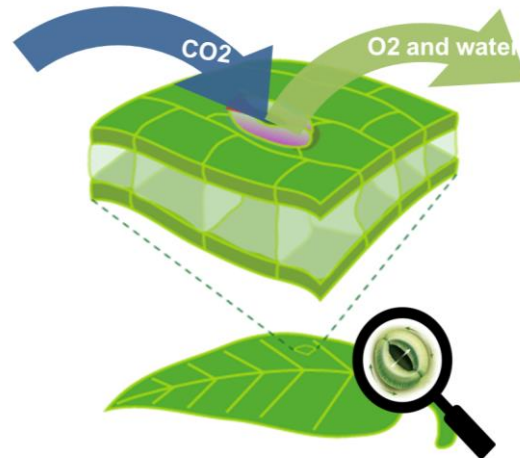
This not only reduces the costs of offering insurance to farmers but also ensures quick and timely compensation without the hustle of field inspections.





# Providing crop-specific, drought and excess rainfall coverage

- Risks: Drought, dry spell, excess rainfall
- Crops: Maize, Beans, Coffee, Irish Potato, Barley + Generic coverage
- Index: Satellite-based index based on Relative Evapotranspiration and Precipitation data





## 7 years of continuous efforts have provided valuable lessons learned for further scaling and improvement

- Cooperation with the **right stakeholders** is of key importance.
- **Governmental** support plays an important role.
- **Continuous improvement** of the products in order to respond to farmers' feedback and reality on the ground is necessary.
- **Limited understanding** of [index] insurance; therefore, a lot of effort needs to be put to **awareness raising** and **capacity building** activities.
- Stand-alone insurance does not fully meet farmers' needs. Insurance must be part of their overall risk management strategy and cash flow. **Bundling** with other services (financial services, inputs, agronomic advice, etc.) can significantly increase uptake.



# There are still challenges that we are working to overcome

- **Technical:** Working towards a solution provided on *location-basis* instead of sub-county basis.
- **Regulatory:** *Coverage limitations* by the UAIS, in discussions for either providing a top-up coverage or allowing for flexible rates. There is need for *index quality control* to ensure that products offered are relevant to the farmer.
- **Sensitization:** Limited capacity for *awareness raising* and *capacity building* activities.
- **‘Bridging the last mile’:** The costs and challenges involved in *reaching and dealing with farmers* that live in remote areas with limited access to services and infrastructure.



## And we are ready to take agriculture insurance in Uganda to the next level

- Further strengthening the partnership in Uganda by working with more local organizations for outreach and meso-level, and bundled, distribution.
- Increased automation of index design and monitoring.
- Improve the risk coverage currently offered to farmers.
- Digitization of farmer onboarding through mobile distribution.
- Address cash flow issues through premium payment at harvest.
- Increase insurance uptake.



# Thank you!

And special thanks to the  **InsuResilience Solutions Fund** for supporting our efforts for the upcoming years!



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