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

Uganda Population 2021 (Demographics, Maps, Graphs) (worldpopulationreview.com)
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

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https://www.wfp.org/publications?f%5B0%5D=country%3A2105
https://www.agriculture.go.ug/agricultural-sector-potential/
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

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

✓ Farmer coops
✓ Agritech
✓ Fintech
✓ Banks
✓ Agribusinesses
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 though 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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