Early Warning System

IFC-605904

One Acre Fund Agri Insurance

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Quick Facts

Countries	Kenya
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	U
Voting Date	2022-08-16
Borrower	One Acre Fund
Sectors	Agriculture and Forestry, Finance
Investment Type(s)	Advisory Services
Investment Amount (USD)	$ 0.99 million

Project Description

According to the Bank's website, activities under the project will be organized around three main components:

COMPONENT 1: ESTABLISHMENT OF A RISK MANAGEMENT/PARTICIPATION VEHICLE

The main goal of this component is to enable 1AF to streamline its insurance operations for better time and cost efficiency. Centralized insurance financing would also allow for the pooling of risk across different countries (diversification benefits).

COMPONENT 2: PRODUCT AND CAPACITY DEVELOPMENT SUPPORT

To address the need for 1AF to develop new high quality climate/index insurance products for its farmers, IFC will:
1. Support 1AF in the acquisition of data that can facilitate more accurate index insurance product development. This includes farmer GPS and remote sensing data.
2. Provide technical advisory for the development of new insurance products by 1AF. This may include technical review of products developed by 1AF and its other partners, and advice on the establishment of a robust basis risk validation process for index-based insurance products. It may also include the exploration of a corporate-level index-based product, covering 1AF's entire credit portfolio.
3. Train 1AF staff on agri insurance product evaluation and the management of the proposed risk management/participation vehicle.

COMPONENT 3: HIGH-VALUE INSURANCE TRIAL

1AF's current insurance arrangement only covers 50-60% of the cost of inputs loaned to the farmers. The organization would like to conduct research to estimate the level of coverage that would most contribute to higher farmer resilience (without over-insuring the farmer), i.e., should insurance cover the full value or a certain percentage of the expected yield? In addition, how much premium can farmers afford for the ideal coverage? What metrics should be used to measure farmers' improved resilience? 1AF would then like to use the results to gradually transition its farmers from input-based insurance to this "high-value" insurance.

IFC will support 1AF in addressing this need by mobilizing resources for a controlled trial in one country (possibly Malawi). This trial will seek to test the impact of different insurance coverage levels on farmer resilience. It will also establish the most ideal metrics to use in measuring farmer resilience to climate risk. Study findings will be made public and could potentially be applied by other stakeholders with an interest in promoting access to resilience-building instruments for the agricultural sector.

A research firm will be competitively selected to design and monitor this study for at least 3 cropping seasons (between 2022 and 2025).

Investment Description

- International Finance Corporation (IFC)

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	One Acre Fund	Client	-

Contact Information

No contact information provided at the time of disclosure.

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