



Insurance for Inputs

Kilimo Salama, Kenya

Challenge

Farmers in developing countries already suffer considerably from the effects of climate change. Rain is not coming as predictably as it used to. Sometimes, a whole rainy season will fail. The social impact can be devastating: not only may farmers miss a whole harvest, they may also lack the money to buy new seed for the next season. In Kenya, agriculture accounts for three quarters of the country's employment. Nearly every second farmer depends entirely on their harvests in order to feed their families. Rainfall patterns have changed drastically over the past years. The drought at the Horn of Africa is but the most dramatic result. The agricultural insurance product "Kilimo Salama" helps Kenyan farmers to cope with risks from changing weather patterns.

Business Model

Kilimo Salama ("Safe Agriculture") is an agricultural insurance product for inputs, such as seed, fertilizer or crop protection. It was developed by the Syngenta Foundation for Sustainable Agriculture in partnership with Safaricom, the largest mobile network operator in Kenya and UAP, a major insurance company from Kenya.

The insurance is index-based, which means that payouts are determined by certain trigger criteria rather than by the actual damage to the individual farmer. Kilimo Salama uses a rainfall index. Solar-powered weather stations measure the actual rainfall. If it rains less than a defined amount, policy holders receive a payout. Different from most agricultural insurance products, Kilimo Salama insures the inputs, not the outputs of the harvest. It makes the policy very affordable for the farmers. For partners, the index makes it easy to administer.

Partnering with Safaricom makes Kilimo Salama even more convenient. Safaricom's mobile money service M-PESA is used all over the country. Farmers can purchase the insurance at 100 well-

established agricultural dealers. For an extra five percent, they can insure inputs such as seed, fertilizer or herbicide. The insurance policy is registered and confirmed by mobile phone. Payouts are made directly to farmers' phones through M-PESA.

Partners

The Syngenta Foundation for Sustainable Agriculture (SFSA) is a non-profit organization established by Syngenta, a large agribusiness company from Switzerland. It receives an annual endowment from Syngenta to design products to serve smallholder farmers in developing countries. The project Kilimo Salama is also supported by the Global Index Insurance Facility, a program managed by the International Finance Corporation (IFC).



Safaricom is the largest mobile network provider in Kenya, with 80 percent market share and 15 million subscribers. In 2007, Safaricom introduced the mobile money service M-PESA, in cooperation with Vodafone and UK's Department for International Development.

UAP Insurance Company is one of the leading insurance and financial services companies in East Africa.



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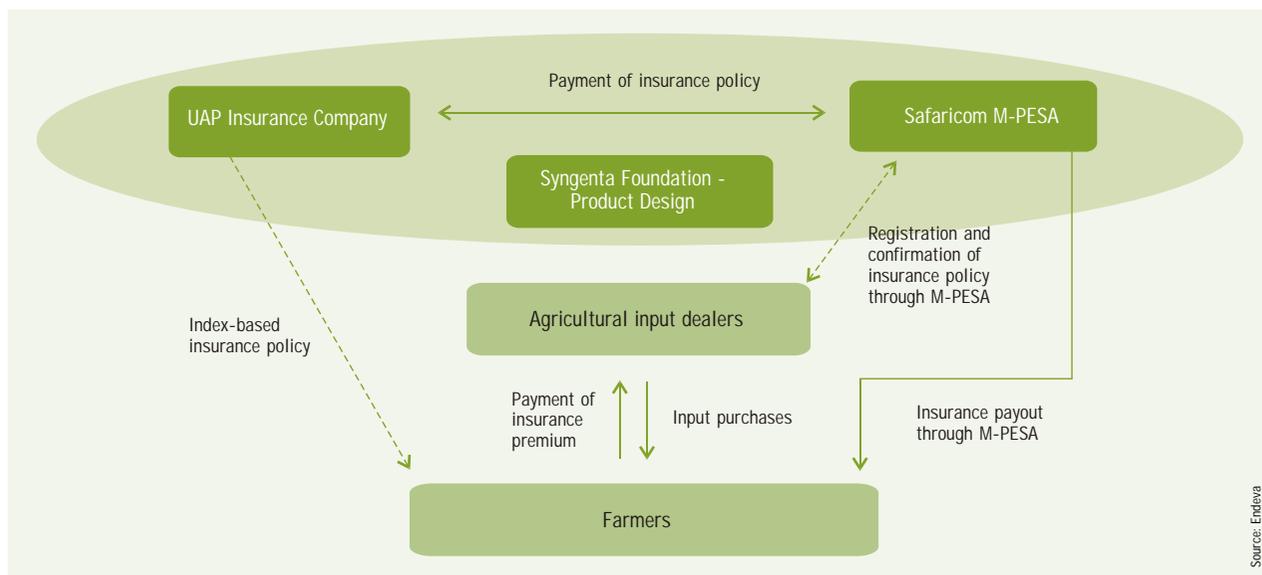
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Source: Endeava

Benefits

In 2009, the pilot project covered 200 farmers. This year saw a terrible drought. The two weather stations recorded the rainfall variations, which resulted in payouts of either 30 or 80 percent of the insured seeds. For the following season, 12,000 farmers signed up. Two thirds of them are clients of the microfinance institutions that have made enrolment in Kilimo Salama mandatory. In that season, there was less variation in rainfall and the payouts ranged from 10 to 50 percent of insured farming inputs. Farmers insure an average of Ksh 1800 (USD 22) at a premium cost of five percent. Currently, 22,000 farmers are insured with Kilimo Salama. 30 weather stations are now in place. They could support a total of 50,000 farmers.

The project is being reevaluated after every planting season. In 2011, the Syngenta Foundation introduced Kilimo Salama Plus, which covers more crops and inputs.

Safaricom has generated profit through M-PESA. Besides receiving payouts, farmers also use M-PESA to purchase new inputs or to save the funds for the next season. UAP has not recorded a profit yet but expects the product to scale up into profitability, possibly by 2012.

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Sources:	<p>"Rain shortfall triggers first M-PESA drought insurance payouts for Kenyan farmers" (2010): in Eurekalert by Jeff Haskins and Duncan Ondigo, retrieved on November 21, 2011.</p> <p>"Kilimo Salama, Index-based Agriculture Insurance. A Product Design Case Study" (2011): in IFC Advisory Services, Access to Finance, International Finance Corporation, retrieved on November 23, 2011.</p> <p>"Fact Sheet" (September 2010): in Syngenta Foundation for Sustainable Agriculture. Kilimo Salama Agricultural Initiative in Kenya, retrieved on November 20, 2011.</p>	Project responsible:	Ms Heike Bürskens heike.buerskens@giz.de www.giz.de/ibf
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