

FEASIBILITY STUDY – FACTSHEET

Feasibility Study	FSW-17: Feasibility Study with Dry Run for Agricultural Input Insurance
Country / Region	Cambodia
Partner Financial Institution/s	Forte Microfinance, AMk Microfinance Institution Plc, & Rohat Agri-Tech Co Ltd
Grantee	<i>Syngenta Foundation for Sustainable Agriculture</i>
Overall Budget	CHF 219'700 (34% self-contribution)
SCBF Contribution	CHF 144'000 (66% SCBF funding share)
Date of Approval	17.03.2018
Duration	09.2018 until 04.2020
Context	<p>The Cambodian population continues to grow rapidly with an annual increase of roughly 1.56% and has now exceeded 15.7 million with a density of around 86 people per km². Nearly 80% of Cambodians live in rural areas, and most are farmers with almost 31% of the country's territory under agricultural production. Agricultural sector remains the country economic backbone; it contributes to almost 27% of the GDP and employs 57% of the labour force.</p> <p>In Cambodia, access to low interest loans to support the development of the agricultural sector remains a major challenge due to high dependence on rainfall for crop production (roughly 80% rainfed). Financial institutions are reluctant to give out the loans because of the potential risks. Only 10.3% of the loans offered by banks in 2017 was given into the agricultural sector. In some cases, farmers are struggling to meet loan requirements; in particular, collateral requirements and loan terms. In other cases, farmers find it difficult to repay the loans on time when they fail to harvest their crops during bad years. These challenges can be addressed through promoting micro-insurance to protect the low income families from risks that threatens their everyday living. SFSA aims not only to reach smallholders farming on an average 0.5 ha with agricultural input insurance but also to build the capacity of various stakeholders.</p>
Current Status of the MFI	<p>The MFI sector continued to grow over the past several years as reflected by the expansion of its operations across the country. MFIs are an important source of loans for agriculture, 30% in 2017. AMK Microfinance Institution Plc. is well placed to help a large number of poor people improve their livelihoods through delivering appropriate and viable financial services. Since the micro insurance product plays a key role in financial service, AMK looks for introducing such products to its clients, such as, health and accident, as well as weather indexed insurance to groups of clients who in the agricultural sector. AMK sees the capacity building opportunities for their staff through SCBF-financed support to SFSA as highly important.</p>
Objective and Main Activities	<p>This study aims generally to understand the insurance and micro-insurance landscape, and to determine the potential paths to the distribution of agricultural input insurance products throughout Cambodia. The project comprises dry runs, product development and testing, along with the testing of commercial viability of selected insurance products with selected partners in selected regions of Cambodia. The assessments of market and regulatory conditions as well as the identification of partners will be conducted as a continuous learning process with the local partners engaged in the dry runs. Upon study completion, the financial institution should be in a position to uptake and pilot crop insurance product across the country.</p>
Next Steps	<p>Once the feasibility study is finished, we plan to: (1) organize a national workshop to share study findings and discuss ways to implement the weather index based insurance; (2) pilot weather index insurance project; and (3) continue to look for opportunities to scale out crop insurance services to reach farmers across Cambodia. Further steps include licensing the technology and scaling up.</p>