

FE-02 - Arusha financial education: financial literacy and seed management training for smallholder farmers to benefit from first agricultural insurance in North Tanzania

FE-03 - Iringa financial education: financial literacy and seed management training for smallholder farmers to benefit from first agricultural insurance in South Tanzania

1. FINANCIAL EDUCATION (FE) CONTEXT

In 2008, the Bank of Tanzania developed a National Financial Education Framework with the support of the Financial Sector Deepening Trust (FSDT), Tanzania. The framework was accepted by the government of Tanzania in 2011¹. It comprised several components: an organisational structure and stakeholder strategy, a high-level public financial education consumer strategy, and an implementation plan with a monitoring and evaluation framework. The framework identified the need to set a national financial capability baseline, against which progress in levels of financial capability could be measured over time. It identified seven market segments and interest groups, as well as channels through which financial education could be delivered. These included educational systems, employee-based programmes, NGOs, churches, mosques, mobile phones, classroom-based training programmes, print media, and mass advertising. Although the framework exists, progress in its implementation has been slow.

In a baseline study conducted by the Bank of Tanzania, two factors were listed as the primary obstacles to financial education: i) poverty, and ii) the absence of appropriate, accessible and affordable products and services targeted specifically at the lower-income population. Such services include accessible and affordable life and medical insurance, retirement products and savings instruments with positive returns. It serves no purpose to train people on the need for and requirements of these products if they are not available in the marketplace, the report points out. In a similar presentation by the Bank of Tanzania on *'Promoting Financial Capability and Consumer Protection'*, a subsistence economy and poor infrastructure were highlighted as the main reasons for low access to financial education in Tanzania².

In the school system, a one-year project to raise financial knowledge and capability levels at ten secondary schools in the Ilala municipality in Dar-es-Salaam was introduced in 2010. Teachers were enabled to integrate consumer financial education in their teaching and outdoor activities, to boost students' ability to handle financial issues and to participate in initiatives offering financial opportunities. Topics included skills and values in consumer protection, as well as financial literacy skills that students were able to acquire through studies in commerce, bookkeeping, economics, and accounting.

2. INTERVENTION APPROACH

Financial literacy needs assessment

In 2014, with support from SCBF, ACRE Africa conducted a study that established that active measures were required to provide insurance-related financial education in Tanzania. This particular assessment focused mainly on insurance. The goals of the study were to investigate (i) to what extent risks can be insured through formal risk transfer; (ii) to what extent these insurance products would be attractive and affordable to farmers; (iii) whether or not insurance products would be financially viable for private-sector stakeholders; and (iv) to propose and outline pilots that could be both financially viable for insurers and relevant to farmers.

The study found that: 60% of the uninsured population does not have insurance because they cannot afford it; 24% do not know how insurance works; 18% do not know how to find out where to buy it; and 14% do not know what 'insurance' means³. From the study, ACRE Africa found that insurance uptake in Tanzania has grown in recent years from around 6% of adults in 2009 to up to 19% of adults in 2012. Nevertheless, active measures are still required to provide financial education which will then increase this figure still further. As a result, based on the feasibility study results *Kilimo Salama* (now ACRE Africa) developed a clear strategy on how to reach smallholder farmers in several agricultural value chains through MFIs, input companies, mobile network operators, and contract growers for agribusinesses.

¹ Financial Sector Deepening Trust (FSDT), *Financial Capability Tanzania Baseline Survey Findings*, Tanzania, 2014

² <http://www.tccia.com/tccia/wp-content/uploads/2011/07/tanzania-Financial-Literacy-Strategy-Presentation.pdf>

³ Syngenta Foundation for Sustainable Agriculture (SFSA), 2014, *Tanzania Agricultural Insurance Feasibility Study*, Tanzania

Main activity areas (goal, targets, resources & time frame) and outputs

The financial education campaign aimed to reach 90,000 farmers, with 38,000 taking out the insurance over the two years of funding. Through the project, over 70,000 farmers have been trained, with more than 27,500 of them now insured under products designed by ACRE Africa. The table below outlines the specific goals and degree of achievement.

Goal (Arusha & Iringa regions)	Degree of achievement	% of achievement	Comments
Coaching for:			
20 insurance officers	35 insurance officers	175%	More than the target number were trained
400 agricultural officers	325 agricultural officers	81%	The initial challenges with setting up in Tanzania – approval for the product and administration process – took longer than expected
40 bank officials	37 financial institution officers	92.5%	
40 lead farmers	74 lead farmers	185%	Target exceeded
Develop interactive radio shows with 6 local radio stations	3 radio stations ACRE Tanzania staff appeared on Jembe FM, Metro FM, Radio Free Africa live radio stations to educate farmers on insurance (in Swahili)	50%	These are the key radio stations that target farmers in Tanzania, hence efforts were concentrated on these 3 radio stations
Training of 90,000 farmers through farmer forums, radio and aggregators	77,848 farmers trained	86%	The initial challenges with setting up in Tanzania – approval for the product and administration process – took longer than expected
Develop trainer kit for training consistency	Kit developed	100%	Training kit developed along with other training materials
Work with mobile companies to develop short messages containing tips on insurance products, to be sent to large numbers of farmers	15,000 farmers reached through short messages	100%	Messages were sent to farmers at the beginning of the planting season and at various stages of the crop cycle

The topics covered by the financial education programme targeting farmers included: (i) an introduction to crop insurance; (ii) how crop insurance can provide access to loans for farmers; (iii) the cost of insurance products; (iv) savings; and (v) the use of mobile money services. Communication tools included fliers, brochures and PowerPoint presentations. Farmer training courses were conducted in meeting halls and open spaces. For bank officials, ACRE Tanzania focused on proposing monitoring and risk mitigation strategies for agricultural loan portfolios. Meetings were mostly conducted on client premises and by teleconference.

ACRE Africa and ACRE Tanzania will continue to use the FE material that has been developed to equip and train more farmers and more financial institutions. The team will also continue to improve and upgrade these modules as ACRE Africa expands in the Tanzanian market.

Additional funders

ACRE Africa, an insurance service provider with headquarters in Nairobi, contributed CHF 307,290 to the intervention. This was 50.5 percent of the overall cost.

Partner financial institutions

ACRE Tanzania: ACRE Tanzania Insurance Agency Limited (ACRE Tanzania) is a registered agent focusing on agricultural micro-insurance products. ACRE Tanzania links farmers to insurance products so that they can invest confidently in their farms. ACRE Tanzania is fully owned by ACRE Africa, headquartered in Nairobi. ACRE Africa has had a presence in Tanzania since 2012, with formal operations commencing in 2015. Since then, over 27,000 farmers (2015-2016) have been insured under products designed by ACRE Africa.

UAP Insurance Tanzania: In June 2013 through its wholly owned subsidiary UAP Africa Limited, the UAP Group acquired a 60 per cent stake in Century Insurance Company Limited, a general insurance company operating in Tanzania, with its head office in Dar-es-Salaam. The company is now operating as UAP Insurance Tanzania, after receiving approval from the Tanzania Insurance Regulatory Authority (TIRA). UAP Tanzania acted as the underwriter for the FE campaign.

3. RESULTS ACHIEVED AND NOT ACHIEVED

3.1. Client level

3.1.1. Summary of main results based on FE interventions

Intervention FE training courses	Change in financial literacy levels	Behaviour and attitude changes	Impact
i. FE training – topic:			
▪ Savings	Farmers have learned how to save towards future investments	Farmers used the money saved with village banks to pay for insurance and purchase inputs on credit	Although 49% of the farmers surveyed opened a savings account after training, only 33% were actively saving. This is because most of the farmers' income is still erratic. Significant impact is yet to be observed.
▪ Record-keeping	Based on the records they keep, farmers can now prepare future budgets and track expenses from the beginning to the end of the season	Farmers began to identify and record the costs involved in production, as well as harvested yields	Going forward, farmers can measure progress with their farming activities and investments, and plan for the future.
▪ Insurance	Farmers learned that the cost of insurance is lower than the losses incurred when affected by climate change and crop disease	Greater confidence in investing in insurance	Farmers are shielded from unpredictable risks, leading to income and investments being protected because insurance bears the financial loss in the event of a disaster.
▪ Use of mobile money	Farmers have been using mobile phones to open bank accounts, repay loans and sign up for insurance	Farmers have grown in confidence in using their phones for financial services	Farmers are now signing up and receiving insurance payments from insurance companies via mobile phones
▪ Use of hybrid seeds	Farmers understand the benefits of hybrid seed	<ul style="list-style-type: none"> ▪ Farmers set aside funds to purchase inputs bundled with crop insurance from input companies ▪ Farmers have invested more in buying hybrid seed and fertilizer 	Although hybrid seed costs more, it yields more per acre than traditional seed. 70% of the farmers surveyed indicated that they had seen an increase in their yields after using hybrid seed. 92% indicated they had an increase in income as a result of using hybrid seed in combination with good agricultural practices.
ii. Use of educational SMS (educational SMS will be sent out at the beginning of the two planting seasons)	Farmers learned that they can access financial services, such as insurance, through their mobile phones	Farmers signed up for insurance and FE messages through their phones	Farmers now have continuous access to FE from the convenience of their phone.
iii. Radio advertisements	Farmers accessed information about agriculture and crop insurance	Farmers signed up for insurance after listening to radio programmes about crop insurance	98% of the farmers surveyed indicated they did not have insurance. 98% of these farmers took out crop insurance following the FE campaign, and are now protected against weather-related risks and loss of income through the input credit combined with insurance. Farmers have a better way of coping with weather-related risks.

With more than 70,000 farmers reached with the financial education campaign, and more than 27,500 farmers having signed up for insurance, financial literacy levels have increased significantly in the two regions. Risk transfer could be ensured, and farmers are not only better protected against risks, but have also been able to increase their incomes through access to hybrid seed.

Ensuring financial inclusion has unlocked considerable economic potential. With the consistent application and adoption of the topics that have been taught, farmers have been enabled to make informed financial decisions, thereby leading to economic empowerment. Overall, it is expected that there will be a long-term impact in terms of increased income and improved livelihoods.

3.1.2. Input loan saves farmer from major losses

In early 2015, Ms Mwajuma took out a loan from the One ACRE Fund, a local NGO in Tanzania, and purchased several bags of hybrid maize seed. In partnership with the One ACRE Fund, ACRE Africa has designed a credit-linked insurance product that allows farmers to access seed on credit early in the season, and pay the fund at the end of the season after harvesting and selling. Ms Mwajuma planted her seed on her 2.5-acre plot of land. Unfortunately, there was excess rainfall (El Nino) during that season, and instead of harvesting the expected 20 bags of maize, Ms Mwajuma harvested only half a bag. However, since she was insured, her loan was cancelled as the insurance company paid the One ACRE Fund. As a result, Ms Mwajuma did not experience a major financial setback, and was still eligible for a loan in the subsequent planting season.



Ms Mwajuma, a farmer from Kilolo, Iringa, assessing the damage on her maize farm

3.1.3. Farmers from the Manyara and Dodoma regions take out insurance



The farmers display their insurance certificates

A group of 79 farmers (28 women and 51 men) from the Manyara and Dodoma regions signed up for crop insurance, with premiums totalling USD 1,510.97 and a total sum insured of USD 18,973.60. The farmers took out the cover following financial education training from ACRE Africa.

In March 2016, seven lead farmers from the two regions travelled for an exchange visit to the Zambia National Farmers' Union as part of financial education training conducted by ACRE Africa. The farmers were trained on the importance of using hybrid seed, which is more drought-resistant and produces

higher yields, the use of manure fertilizers from the animals they keep, on how to keep their farming records, and how to insure their crops against weather-related risks. After the visit, the seven lead farmers went back to their villages and trained their fellow farmers. The group of 79 decided to plant hybrid maize and cashew nuts, on an average of 2.3 ha per farmer. They took out weather-based insurance cover to protect their investment. This is important because, often, farmers are stuck in a cycle of poverty owing to unpredictable risks such as drought and flooding. One bad season can set farmers back for many months, making it impossible to break the cycle. Insurance cushions farmers against such risks and enables them to invest confidently in their farms, leading to increased yields.

Below is a summary of the increase in yields and income per bag of maize for the group:

Production	Traditional seed	Hybrid seed
Maize production per acre	100 – 300 kg	500 – 1500 kg
Price per bag of maize	USD 15 - 20	USD 30 - 50

3.2. Partner financial institutions' level

ACRE Tanzania Insurance Agency

The financial education campaign has improved the performance of the organisation in the following specific ways:

- i. ACRE Tanzania has been able to penetrate the financial education sector in Tanzania, specifically in the area of agricultural micro-insurance.
- ii. ACRE Tanzania is now positioned as an authority in agricultural insurance amongst stakeholders. For example, the organisation wrote a letter to the Commissioner of Insurance on a VAT exemption for crop insurance. The VAT exemption applies to all other agricultural products.
- iii. ACRE Tanzania also has an established partnership with the national network that aggregates all farmers' organisations in Tanzania, MVIWATA. This is a strategic platform to continue providing financial education to smallholder farmers in the future. Greater growth and performance is expected.

Summary of performance indicators

Performance indicators	Project start, April 2014	One year on, April 2015	Two years on, April 2016	Three years on, April 2017
Increased overall outreach	10,000	15,000	25,000	30,000
Estimated % of women	34%	37%	40%	50%
Trends in insur. portfolio	11,000	16,500	27,500	33,000
Average return on equity	N/A	N/A	-0.96	-1.27

UAP Insurance Tanzania

UAP Insurance Tanzania, ACRE Africa's financial partner institution, reports that the company has experienced an increasing number of requests about agriculture insurance. It has also received various partnership requests from different organisations such as NGOs and banks. "The programme has served as an eye-opener about our business, and created many partnership opportunities and growth in our agriculture insurance books. We believe it has strengthened our brand in the region", said Damas Filied, Business Development Officer, UAP Insurance Tanzania.

4. LESSONS LEARNED

The design of this financial education campaign was effective in that it provided the necessary groundwork and solid partnerships with farmers and stakeholders, which will enable the project to continue beyond its initial two-year duration. Along the way, a few adjustments had to be made to timelines but, in the end, the goal of training farmers on insurance and finance was achieved.

ACRE Africa learned the following key lessons:

- i. It is important to keep a constant eye on the project goals, to ensure implementation is following the original plan, and key milestones are being met.
- ii. When implementing a project with partners, timelines require a certain margin of error. For example, it took longer than expected to secure a licence to operate in Tanzania and to develop a platform with the mobile network operator. ACRE Africa adjusted the dates for key milestones, and requested a no-cost project extension.
- iii. It is important to focus on topics that address relevant challenges that farmers are facing in the here and now, such as drought, financial need, low yields, etc. This generated interest in FE, because the topics provided solutions relevant to the problems that farmers are currently facing.

The following factors contributed to the success of the overall project:

- i. **Use of farmer aggregators to achieve greater numbers.** Partnering with MVIWATA, the national network of farmers, enabled us to reach the target number of individuals. MVIWATA already has a rapport with farmers, so they were more likely to pay attention to the introduction of new concepts/topics.
- ii. **Formation of strategic partnerships.** The partnership between ACRE Africa, Seed Co, UAP Tanzania and Airtel strengthened the FE campaign in ensuring that farmers received access to a broader range of knowledge and expertise, as each partner was involved in training the clients at some point.
- iii. **Use of specific targeted radio stations.** The FE campaign targeted radio stations that were already popular with farmers, enabling the message to get across to a large number, using a cost-effective medium. Farmers are loyal to these radio stations and consider them an authority.

- iv. **Use of staff with experience in training in the agricultural sector.** Although ACRE Africa is still young in Tanzania, our staff have experience in training farmers and aggregators in the agriculture sector. This ensured that there were minimal technical communication barriers.

ACRE Africa makes the following recommendations for future FE campaigns:

- i. Retain the involvement of farmer aggregators and local extension officers, in which a relationship of trust has already been established between them and potential clients.
- ii. Retain the integration of agricultural insurance lessons with the more generic financial education training such as savings, use of quality inputs, and record keeping.
- iii. Combine financial education with training on good agricultural practices such as planting dates, weeding, and pest and disease prevention. Farmers have a keen interest in these topics, and often do not have access to such information at the village level.
- iv. There is still very little understanding of insurance concepts among farmers and other stakeholders in agricultural value chains, which makes it difficult for crop insurance to penetrate to smallholder farmers. Additionally, farmers take time to adopt new concepts – and insurance is a new concept to most smallholder farmers in Africa. More time should be allocated to creating awareness in order to enhance uptake.