

Financial literacy and seed management training empowered smallholder farmers to benefit from first agricultural insurance in Tanzania

1. FINANCIAL EDUCATION (FE) CONTEXT

The Government of Tanzania approved a National Financial Education Framework in 2011¹ that comprised (1) an organisation structure and stakeholder strategy, (2) a high-level public financial education consumer strategy, and (3) an implementation plan with a monitoring and evaluation system. 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 (FE) 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

The SCBF co-funded feasibility study of ACRE Africa in 2014³ established that active measures were required to provide FE alongside the introduction of insurance in Tanzania. 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' means. Insurance usage has grown from around 6% of adults in 200 to up to 19% in 2012. Nevertheless, financial education was still required to enhance uptake of insurance products. As a result, *Kilimo Salama* (now ACRE Africa) developed a financial education strategy on how to reach smallholder farmers in several agricultural value chains through microfinance institutions, input companies, mobile network operators, and contract growers for agribusinesses.

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

The financial education campaign aimed to reach 30,000 farmers in the northern region of Arusha and 40,000 in the southern region of Iringa with 10,000 and 15,000, respectively, taking up the insurance within the two-year product up-scaling support of the SCBF.⁴ These targets were met with over 70,000 farmers trained and over 27,500 farmers insured through products designed by ACRE Africa. The following table outlines the specific aggregated targets and degree of achievement.

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*

⁴ SCBF 2014-01 & 2014-02 joint final report, accessible under <http://scbf.ch/product-upscaling-interventions>

Target	Degree of achievement	Achieved	Comments
20 insurance officers coached	35 insurance officers	175%	More than the target number were trained
400 agri-officers coached	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 coached	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 three 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
Develop SMS with insurance product explanations	15,000 farmers reached through short SMS 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% of the overall cost.

Partner financial institutions

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. It 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 have been insured under products designed by ACRE Africa until end of 2016.

UAP Insurance Tanzania: In June 2013 through its wholly owned subsidiary UAP Africa Limited, the UAP Group acquired a 60% stake in Century Insurance Company Limited, a general insurance company operating in Tanzania, with its head office in Dar-es-Salaam. UAP Tanzania underwrites insurance products designed by ACRE Africa and Swiss Re re-insures them.

3. RESULTS ACHIEVED AND NOT ACHIEVED

3.1. Client level

Summary of main results based on FE interventions

Intervention	Change in financial literacy levels	Behaviour and attitude changes	Impact
i. FE courses			
▪ 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 because most of the farmers' income is still erratic.
▪ Topic: 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	Better understanding of their agricultural business and better access to loans.
▪ Topic: 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	<ul style="list-style-type: none"> ▪ Farmers are shielded from unpredictable risks ▪ Farmers have access to credit for inputs bundled with insurance
▪ Topic: 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
▪ Topic: 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	Farmers learned to access insurance services 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.

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 Arusha and Iringa 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.

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



Ms Mwajuma assessing the damage on her farm

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.

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 ACRE Tanzania in terms of:

- Penetrating the financial education sector, notably in the area of agricultural micro-insurance.
- Positioning as an authority in agricultural insurance amongst stakeholders. For example, ACRE Tanzania convinced the Commissioner of Insurance to exempt VAT from all agricultural insurance products.
- Establishing partnership with MVIWATA, the national network that aggregates all farmers' organisations in Tanzania. 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	April 2014	April 2015	April 2016	April 2017
Increased overall outreach	10,000	15,000	25,000	30,000
Estimated % of women	34%	37%	40%	50%
Trends in insurance 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 reports 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 Filled, 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 ACRE Tanzania 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.** ACRE Africa has recruited staff with 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.