

AWARENESS AND FINANCIAL EDUCATION ON THE RELATIVE EVAPOTRANSPIRATION INDEX DROUGHT INSURANCE PRODUCT FOR SMALLHOLDER FARMERS

1. FINANCIAL EDUCATION CONTEXT

Uganda's National Planning Authority developed *Uganda Vision 2040*, a strategy for strengthening the economy's fundamental sectors and capitalizing on available opportunities in the country. Among the identified opportunities, coffee production was particularly noted due to the fact that 43% of the population is engaged in this sector. One of the biggest challenges facing this sector is the overall lack of financial education among coffee producers, as evidenced by only 10% having a bank account and only 3% borrowing from formal financial institutions¹. Additionally, the sector is characterized by largely cash-based transactions, despite the fact that digital payments are increasing in the country as a whole. It is worth noting that 54% of Ugandans in general do practice saving to some degree, including some (29%) for the purpose of starting, operating or expanding a business. At the same time, 50% of those that do save admit to doing so informally (i.e. with savings groups, Village Savings and Loan Associations (VSLAs) or Rotating Savings and Credit Associations (ROSCAs))².

In order to boost the use of and access to financial services in country, the government of Uganda developed and launched the *National Financial Inclusion Strategy (NFIS)* for the 2017–2022 period. Specifically, this Strategy has the goals of (1) reducing financial exclusion and barriers to accessing financial services and (2) deepening and broadening formal saving, investment and insurance usage in the country. The Inter Institutional Committee on Financial Inclusion (IICFI) comprising Insurance Regulatory Authority of Uganda (IRAU), Ministry of Trade, Industries & Cooperatives (MTIC), Uganda Communications Commission (UCC), Uganda Microfinance Regulatory Authority (UMRA), financial sector associations, Development Partners and Civil Society Representatives play a critical oversight role in the process of developing and implementing the NFIS. The Bank of Uganda has been assigned the role of secretariat to coordinate the activities of implementing the strategy³. As part of the latter goal, the government also launched the *Uganda Agricultural Insurance Scheme*⁴, which aims to promote the development of a sustainable agricultural insurance market in the country. To support the Scheme, the government committed to providing UGX 5 billion in financial support annually for premium subsidies over a five-year pilot implementation period (2016–2020).

2. INTERVENTION APPROACH

Needs Assessment

One of the main focuses of the *Uganda Agricultural Insurance Scheme* is on offering smallholder coffee farmers access to a relative evapotranspiration index drought insurance product⁵. To increase the uptake of this product as well as more broadly support increased access to financial services (especially among smallholder farmers), it was necessary to overcome four major barriers: (1) a lack of knowledge about insurance and how it works, (2) a lack of knowledge about the benefits of insurance, (3) the perceived high cost of insurance and (4) a lack of knowledge about where to procure insurance⁶. Given that an understanding of insurance principles requires a larger knowledge of financial literacy, it was decided that an awareness-raising campaign regarding the relative evapotranspiration index drought insurance product should be combined with a more general financial education campaign. In this way, smallholder farmers would obtain the requisite knowledge necessary to: (1) make informed decisions about insurance, (2) be more responsible users of insurance and (3) boost their access to other financial services.

Main Activity Areas

Against the background described above, the National Union of Coffee Agribusinesses and Farm Enterprises Ltd. (NUCAFE), in partnership with Agricultural Reinsurance Consultants (ARC), designed the *Scaling Up Coffee Drought Indexed Insurance* project. This project was designed with the goal of increasing the number of NUCAFE members that are insured against any drought-related uncertainties in their coffee production. The project was implemented at five NUCAFE hubs, with financing provided by the Swiss Capacity Building Facility (SCBF). In total, the project envisaged providing 70,000 smallholder coffee farmers (including 17,000 female

¹ FinScope, Uganda 2018

² Global Findex 2017 survey

³ bou.or.ug

⁴ <http://aic.ug/uganda-agriculture-insurance-scheme/>

⁵ Developed based on 33 years of daily satellite data provided by the European Space Agency and the Netherlands Space Office

⁶ Report on Uptake of Insurance Services in Uganda 2018, FSD

smallholder coffee farmers and 17,000 youth smallholder coffee farmers) with financial education training, including relevant training on insurance. It also had the additional goal of a 25% uptake in relative evapotranspiration index drought insurance policies among the financial education training participants. The specific milestones of the project are detailed in Table 1 below.

Table 1. Project Milestones

Milestone	Status	Comment
Activity #1: Design a market awareness and financial education campaign	100%	The design of the campaign included determining key campaign messages, tools to be used, distribution channels, meeting times, meeting structures and regions.
Activity #2: Develop tools for the financial education campaign	100%	The toolbox developed included a financial education brochure, leaflets on insurance products and a financial education manual ⁷ . Additionally, a 30-minute weekly radio program on financial education was agreed to with a local radio station.
Activity #3: Prepare trainers to implement the financial education campaign	100%	Five mobile insurance consultants and eight trainers were trained on how to implement the campaign.
Activity #4: Launch a pilot of the financial education campaign	100%	Four pilot events (six sessions in total) were carried out in cooperation with various farmer cooperatives. In total, 432 cooperative members attended these pilot events.
Activity #5: Implement the financial education campaign	100%	A total of 1,272 training events were organized and held across the five identified project regions. This resulted in 70,331 total participants receiving the training ⁸ . Additionally, the radio programs reached an estimated listening audience of 1.7 million.

It is worth noting that the training of the mobile insurance consultants and trainers, in addition to financial educational material, also included material on good agricultural practices that boost production and productivity, coffee marketing, the NUCAFE farmer ownership model and business planning. This training incorporated two field visits, one to an example coffee farm and the other to the National Coffee Research Institute. The inclusion of these additional materials and the visits served to help bolster the capacity of the mobile insurance consultants and trainers to effectively communicate with target beneficiaries.



**Robert Serwanga
at the Mabira Coffee Hub**

It should also be noted that each mobile insurance consultant was provided with a motor bike in order to facilitate easier transport to and from field sites where trainings were held. Additionally, all mobile insurance consultants and trainers received continuous backstopping support from NUCAFE and ARC staff.

During the implementation period (activity 5 in Table 1 above), both formal and informal trainings were conducted. The formal trainings followed the developed financial education materials and training plan, while the informal trainings consisted of impromptu one-on-one and small group discussions with smallholder farmers. These informal trainings usually took place at places where smallholder coffee farmers typically gather (coffee hubs where farmers bring their coffee production for sale, community and cooperative leaders' homes, trading centers, etc.). This helped not only to increase the outreach of the campaign in terms of numbers but also in terms of smallholder farmers who might otherwise have been reticent to attend such trainings.

In order to determine the impact of the project, a client survey was conducted. The results of this survey are presented in the *Results* section below.

⁷ All materials were developed in English and translated where necessary.

⁸ As of December 31, 2019, the total number of participants to have received financial education training had reached 72,550.

Partner Institution

NUCAFE is membership coffee farmer organization with a total of 213 member organizations, including cooperatives and associations at the district and subcounty level. These 213 member organizations translate to 250,120 farming households or 1,512,210 individual coffee farmers (756,105 male coffee farmers, 604,884 female coffee farmers and 151,221 youth coffee farmers). NUCAFE has a strong presence throughout the main coffee growing regions of Uganda.

NUCAFE strategically empowers the coffee farmers of its member organizations into increasingly profitable nodes of the coffee value chain, especially by orienting them into becoming business-oriented farmers (using the farmer ownership model). NUCAFE also works for gender inclusiveness in the coffee value chain and also advocates for a conducive environment that builds sustainability for all coffee farmers. These commitments are best exemplified by NUCAFE implementing a variety of projects focused on gender equality, equity and other cross-cutting issues (e.g. climate change).

3. RESULTS

Beneficiary Level

As outlined in Table 1 above, 70,331 participants attended 1,272 financial education training events within this campaign. A particular emphasis for the campaign was placed on women (as women are widely considered to be the backbone of agricultural family enterprises in Uganda) and youth (as 70% of the Ugandan population is 33 years of age or younger). Women were actively involved in the trainings, representing 35.3% of total participants (well above the campaign's target of 24.3%). Youth were also actively involved, representing 19.6% of total participants (just shy of the campaign's target of 24.3%). Approximately 40,000 of Coffee drought index insurance were up-taken during FE campaign period.



Coffee farmer signing an attendance sheet in Kyotera

An assessment questionnaire was developed to measure the impact the campaign. This *Impact Assessment Questionnaire* was distributed to a total of 4,500 participants from all five project areas. This resulted in 4,288 completed questionnaires; however, only 2,510 questionnaires were able to be returned to the consultant for analysis due to a software crash making the other data unrecoverable. Overall, most participants (74%) found the information presented in the trainings to be very useful, indicating that it will benefit their financial well-being.

In terms of real-world impact, campaign participants now demonstrate improved financial behaviors as well as increased overall engagement with the formal financial sector. This is best exemplified by:

- A 207% increase in the share of farmers keeping records about their agricultural activities
- An 82% increase in the share of farmers with a bank account
- 81% of respondents increasing their savings
- 62% of respondents purchasing an agricultural insurance policy
- 89% of respondents obtaining a business loan from a formal financial institution

Additional conclusions are presented in Table 2 below.

Table 2. Financial Education Campaign Impact

Campaign Measure	Behavior Change	Impact
The financial education campaign highlighted that quality recordkeeping directly contributes to increased production, both in terms of quantity and quality.	Questionnaire respondents indicated that, following training, they began to keep better records of coffee sales/harvests, savings and income. In fact, there was 207% increase in the number of respondents keeping accurate records.	Records are also an important condition for accessing insurance. An estimated 17,000 ⁹ participants were able to access insurance because they were able to present quality records following training. Additionally, quality records also allowed farmers to access to better-quality inputs, as evidenced by an increase in coffee harvest volumes this most recent season (2019) as compared to the previous one (2018).

⁹ This estimate was calculated based on an analysis of the completed and returned questionnaires.

Campaign Measure	Behavior Change	Impact
The financial education campaign stressed the advantages bank accounts and other methods of saving in the formal financial sector have over methods of saving in the informal financial sector.	Questionnaire respondents indicated that, following training, those without a bank account opened one and have begun using it for saving. It should be noted, however, that informal saving methods still remain popular.	The number of respondents with a bank account following training reached 95%; moreover, 81% indicated an increase in their savings following the training.
The financial education campaign emphasized the importance of insurance for risk mitigation and as a tool for accessing formal financial services, especially loans.	Questionnaire respondents indicated that, following training, the perception of insurance as a financial tool improved, especially as a tool to “recover losses from a drought” and to “help in recordkeeping” ¹⁰ .	There was a 70% increase in the number of respondents with an insurance policy as well as a 105% increase in the number with a business loan from a formal financial institution.
Organized radio programs , which contained discussions on the campaign’s training topics, reached an estimated listening audience of 1.7 Million listeners.	The radio programs raised numerous discussions and follow-ups on the financial education topics presented.	The radio programs increased interest in the trainings, thereby bolstering the total number of participants.

The Survey also revealed that participants have an interest in future financial education trainings, specifically those on the topics of business management and business planning.

Client Profiles



Mr. Kintu Stephen from Sanje village (Raki district) is a 43-year-old smallholder farmer with 1,000 coffee trees. Following the training, he bought an insurance policy to safeguard his coffee production against drought, as it is the main risk for his farm. He was appreciative of the training, stating, “The financial education trainings helped me improve my production. After the financial education training, I started keeping records of my coffee production. I realized however that I had more coffee trees than the amount of coffee I was harvesting per season. From this point, I started focusing on how to increase production per tree. Following this, my coffee production increased tremendously. The training also helped me improve my financial knowledge. It has resulted in me keeping

important farm records, forecasting my income, starting to save, and having an insurance against drought, to be sure that I can recover losses. My family has also benefitted from this as I can afford to provide them with better educational opportunities. I want to thank everyone who supported this program, as financial education is applicable to every person in almost every sphere of life. I hope to also be able to receive further training to enhance my knowledge of retirement and business planning.”



Mrs. Immaculate Mayanja from Kabonera sub-county (Masaka district) in Central Uganda is a 52-year-old smallholder farmer who owns 2,000 coffee trees. Following the training, she decided to purchase coffee drought index insurance to protect her coffee production from drought, stating: “During the trainings I learned more about saving and keeping records. Before this, I could not keep even simple records and yet I run three enterprises (a coffee farm, a pig farm and a banana wine enterprise). After the training, I was able to separate the three different enterprises, and I now run them separately and maintain separate records. This has enabled me to be able to better track each enterprise’s performance on a monthly basis. I bought insurance for my coffee production, as it is often affected by drought, now I can be sure, that in case of drought, I can considerably diminish my losses. I am happy to report that my savings and income have increased by almost 65% and I was also able to get a small loan.

Shortly after the training, I was also able to open a new coffee farm of 1,300 trees, add five pigs to my pig farm and renovate my house. The training taught me the importance of ownership with proper financial

¹⁰ The phrases in quotation marks here are direct quotes from respondent questionnaires.

management. My sincere hope is that more farmers in Kabonera sub-county will receive this kind training as it is very important and useful.”

Partner Institution Level



**ARC Country Representative,
Robert Sserwanga facilitating a
training**

The campaign has had positive impact on NUCAFE activities, especially as the financial inclusion of farmers from their member organizations is an important strategic objective for them. NUCAFE has also been able to further spread the concept of its farmer ownership model, increasing the financial well-being of thousands of smallholder farmers. Additionally, the share of farmers from member organizations that bought an insurance policy increase by approximately 60%. It is worth noting further that the volume of coffee produced from members of the NUCAFE system has increased as has the traceability of coffee through membership (due to accurate record keeping). The demand for advanced payments by farmers from NUCAFE has also dramatically decreased as farmers are now saving more, especially through savings and credit cooperative societies (SACCOs). The FE trainings have also helped boost NUCAFE

membership as non-members attended the FE trainings as well.

All materials developed for this campaign are continuing to be used by NUCAFE for additional FE trainings among farmers. These trainings are combined with other ongoing campaigns organized by NUCAFE.

4. LESSONS LEARNED

Overall, the financial education campaign was very successful, as evidenced by positive behavioral changes that have led to an increased interest and engagement in the formal financial sector. The campaign's success was greatly supported by a multi-prong approach to conducting the trainings as the combination of formal and informal trainings were able to reach a greater number of farmers. This approach was implemented in three main ways:

- Following NUCAFE's hub structure – by structuring trainings in and around NUCAFE hubs, the project was able to maximize the organization of formal trainings.
- Using mobile insurance consultants (MICs) – the use of MICs, which were under the leadership of NUCAFE's technical backstopping team and ARC, ensured that farmers in even the most remote areas of the country were able to participate in the trainings.
- Airing a weekly radio program – the radio program was broadcast on the most popular radio stations in Uganda, drastically increasing the number of people hearing key campaign messages and spreading the area covered by the campaign to the entire country.

Despite the overall success of the project and its approach however, two main challenges did present themselves during the project and should be taken into account when planning similar activities in the future:

- Weather conditions and seasonality – the project was somewhat hindered by both heavy rains and coffee farmers being busy (due to an early start to their harvesting and marketing season). It is recommended that similar interventions in the future are flexible in allowing for planned events to be adjusted and rescheduled as necessary.
- Language – the *Impact Assessment Questionnaire* was originally developed and distributed in English, which proved to be an issue for many farmers and resulted in incomplete or incorrectly-answered questions. It should be noted that, after this issue was identified, the Questionnaire was translated into Luganda, which boosted the number of completed and useable questionnaires. In similar interventions in the future, all materials should be designed with local farmers in mind. This includes ensuring that they are developed in the local language(s) and include easy-to-understand terms (i.e. not overly-specific to the financial sector).

The success of the project as a whole has led to NUCAFE to express interest in a similar future project, one that reaches all 213 of its member organizations. This interest is reinforced by the fact that the majority of respondents to the Questionnaire indicating a desire for additional trainings, particularly on topics focused on business management and business planning.