

## FEASIBILITY STUDY – FACTSHEET

<b>Feasibility Study</b>	<b>SCBF FSW 2015-14: Feasibility Study and Dry Run for Agricultural Insurance in Bangladesh</b>
<b>Country / Region</b>	<b>Bangladesh</b>
<b>Partner Financial Institution/s</b>	<b>SwissRe, Bangladeshi insurance companies, local and international microfinance institutions and banks</b>
<b>Grantee</b>	<b>Syngenta Foundation for Sustainable Agriculture (SFSA)</b>
<b>Overall Budget</b>	<b>CHF 219'150 (37% self-contribution)</b>
<b>SCBF Contribution</b>	<b>CHF 137'200 (63% SCBF funding share)</b>
<b>Date of Approval</b>	<b>02.07.2015</b>
<b>Duration</b>	<b>10.2015 to 05.2016</b>
<b>Context</b>	<p>Bangladesh is the 5th most densely populated country in the world, with 47% of its 168 million people deriving their livelihood from agriculture. With three main cropping seasons, there are risks affecting farmers from drought, excess rain, pest/disease, to flooding. As the birthplace of micro finance, SFSA will leverage this network to reach farmers with agricultural insurance to mitigate risks affecting food security in Bangladesh.</p> <p>Traditional crop insurance for smallholder farmers relies on expensive on-farm visits to verify claims. This normally causes high premiums and late payouts to farmers. SFSA successfully incubated, developed, piloted, and rolled out weather index-based agriculture insurance in Kenya, Rwanda, and Tanzania since 2009, now reaching 233,000 farmers and run as a social enterprise. Using innovative approaches, satellite data, automated weather stations, existing credit and input networks, and mobile payout systems, SFSA has reduced administrative costs, enabling premiums at prices farmers can afford.</p>
<b>Current Status of the MFI</b>	<p>Since mid-2014, SFSA has expanded the agricultural insurance expertise gained in Africa to South East Asia. Through the FS, SFSA would access the current market structure and regulatory framework in Bangladesh's insurance sector and identify a strategic entry point for SFSA. Not displacing local insurers, SFSA would act as a licenced intermediary and product developer in the market to bring technical expertise to complement and strengthen what is currently working in agricultural or micro insurance distribution in Bangladesh.</p> <p>SCBF support is vital for funding these exploratory steps to assess the market for agricultural insurance. The FS will determine need/viability of a locally registered entity. The local entity would aim to be financially self-supporting at scale.</p>
<b>Objective and Main Activities</b>	<p>The aim of the FS is to understand the demand for agricultural risk mitigation products in Bangladesh, and the most effective ways to distribute them to smallholder farmers. SFSA will determine risk profiles along the agricultural and financial value chains through discussions with farmers, aggregators, agribusinesses, banks, cooperatives, and others. The key topics the study will address are:</p> <ul style="list-style-type: none"> <li>• The agricultural finance and insurance landscapes, current products offered</li> <li>• Challenges to micro-insurance distribution, effective ways to reach farmers</li> <li>• Vital agricultural value chains (crops) for food security and input use/systems</li> <li>• Potential aggregators and partners (NGOs, MFIs, Insurers, government, farmers)</li> <li>• Regulatory environment and government agencies involved relevant sectors</li> <li>• Index data available, quality, time series and verification</li> </ul> <p>In parallel, SFSA will conduct a Dry Run to understand local farming and to assess the impact of a variety of risks on crops. SFSA conducts Dry Runs to evaluate contract parameters against real crop growth. The outcome is a custom index product that reflects the farmer's experiences so the insurance pays out when she/he needs it.</p> <p>Upon project completion, SFSA will be in the position to propose viable agri-insurance products, identify distribution channels, and quantify insurance opportunities.</p>
<b>Next Steps</b>	<p>If the FS is positive, SFSA will design a product development/implementation scale up strategy with insurance pilots and farmer awareness creation to enter the Bangladesh market. SFSA would partner with local insurance companies and financial institutions, focusing on insuring marginalized and medium scale farmers producing on 0.2 to 2 hectares. The crop insurance products would aim to reach to reach 25,000 smallholder farmers by the second year of the upscaling project operations (2017-2018).</p>