

Index Insurance for Smallholder farmers by OKO in Mali

1. DEVELOPMENT RELEVANCE

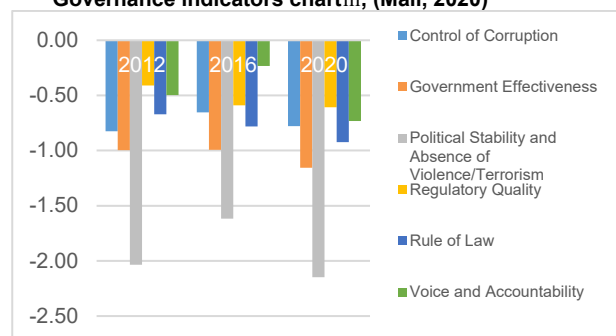
Economic and poverty context

Mali ranks 186 out of the 191 countries on the United Nations Human Development Index 2022 ([Human Development Report 2022](#)). It is one of the poorest countries in the world with nearly 42% of its population living below the national poverty line. Since the military coup and subsequent occupation of the north by armed groups in 2020, Mali has been experiencing instability and conflict. The resulting health, security, social, and political crises led to a 5% increase in poverty. A majority (90%) of the country's poor people live in densely populated rural areas of the south.

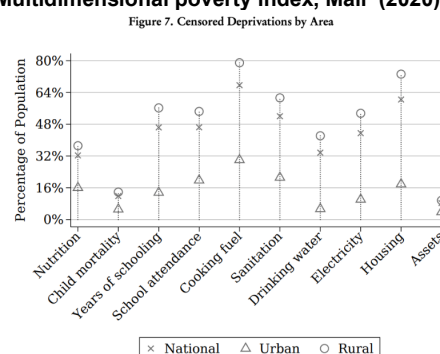
Most smallholder farmers in Mali are fully dependant on the weather for their income, considering that only 0.3M hectares of the 3.1M ha of cultivated land are irrigated¹. In the recent years, seasons have become less predictable, and extreme weather events more frequent². This unpredictability has made it difficult for farmers to obtain agricultural loans, limiting their capacity and prospects to grow their business.

Table 1 ⁱ : Population and economic indicators	
Population in million (2022) source: World Bank	20.25 m
GDP growth (2021) source: World Bank	3.1%
Inflation (2021) source: World Bank	3.9%
Trade balance (% of GDP) (2021)	-10.6%
Foreign direct investment (net) (% of GDP) (2020)	3.1%
Net ODA received (% of GNI) (2020)	9.4%
Remittances received (% of GDP) (2020)	5.7%
Economic Freedom Index ⁱⁱ (Rank among 186 countries) (2022)	114
Poverty indicators	
GDP per capita (USD) (2021r)	917.9
Gini Index (0= equality 100= inequality) (2018)	36.1
International poverty rate (2018; at 1.90 USD/day)	16.3%
National poverty rate (2020)	41.9%
National rural poverty headcount rate (year)	no longer available

Governance indicators chartⁱⁱⁱ, (Mali, 2020)



Multidimensional poverty index, Mali (2020)^{iv}



Financial sector context

The financial sector in Mali is regulated by the Central Bank of West African States (BCEAO) and the insurance sector by the *Conférence Interafricaine des Marchés d'Assurances* (CIMA), with policies locally implemented by the Insurance Directorate. In Mali, inclusive insurance is part of the national financial inclusion framework set up by the Central Bank (BCEAO). Ten insurance companies operate in Mali, and they are experiencing a consolidation trend with several mergers in the past few years. While transactions are mostly cash-based in Mali (as only 13.5% of the population has a debit card), 25% of the rural population is equipped with a mobile money account³.

In 2021, while the SCBF-funded project was ongoing, financial sanctions were imposed on Mali as a result of the 2020 military coup. The sanctions included an embargo on financial transactions (only lifted in July 2022), which resulted in a lack of liquidity for many financial institutions.

¹ source: USAID, <https://www.usaid.gov/fr/mali/agriculture-and-food-security>

² source: Climate change and violent conflict in Mali, African Centre for the Constructive Resolution of Disputes, July 2021
<https://reliefweb.int/report/mali/climate-change-and-violent-conflict-mali>

³ Source: World Bank Global Findex database, 2021

Financial Sector and Project Partner(s)

OKO is a privately owned start-up, financed through investment by Venture Capital (VC) investment funds. **OKO Mali** was established in February 2019 and obtained its licence to operate as an insurance agent in October 2019. It is fully owned by OKO Luxembourg, which belongs to OKO Finance Ltd. OKO Mali employs seven full-time employees, and up to 110 seasonal employees or sub-contractors during the sales periods. With a mission make crop insurance more accessible to Malian smallholder farmers, OKO has grown from 1,800 policies sold in 2020 (covering approx. 1798 farms) to 10,000 in 2021 (covering approx. 17,120 farms) at least and 13,000 in 2022 (covering approx. 13,980 farms), making OKO's crop insurance the most popular crop insurance product in the country. OKO Mali partners with NGOs and development agencies, such as ADA, UNCDF, UN Women, Caritas and CARE, which have the same objectives for advancing financial inclusion. OKO also collaborates with the Swiss Agency for Development and Cooperation (SDC) to connect with cooperatives. OKO's main competitors include initiatives like Inclusive Guarantee (private) and the FARM initiative (NGO-led).

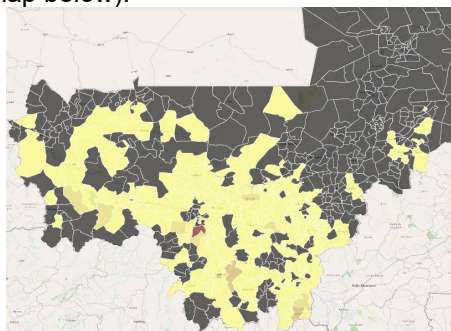
SUNU Assurances IARD Mali (previously Allianz Mali) was created in 2012 and is a subsidiary of the SUNU group (74% ownership⁴). SUNU only offers general (non-life) insurance, mainly automobile. As the local underwriter for OKO's insurance products, SUNU supported the project by ensuring products were validated by the regulator, managing the reinsurance aspect and confirming and paying the total claims to OKO at the end of each season.

The project also partnered with **Orange Finances Mobiles Mali** (aka Orange Money, which was launched in 2010 and enables un-banked Malians to transact via their existing mobile phones, with no requirement for internet connectivity. In 2022, Orange announced having reached 8M user accounts, making them by far the leading cashless payment solution in Mali. Orange Money contributed to the project by promoting OKO to their users via the Mobile Money menu and targeted SMS campaigns.

Branch network map

OKO only has one branch in Bamako but operates a network of agents in many areas in Mali. The heatmap below illustrates the number of policies per commune and it can be used to understand which areas are covered by this network.

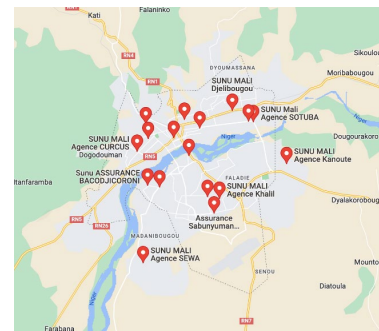
SUNU owns 20 branches in Mali, which are mostly concentrated in Bamako, with 1 agency in Sikasso (see map below).



Heatmap of OKO's presence in Mali



SUNU's branch network map at a national scale



Close-up of the network in Bamako

2. INTERVENTION APPROACH

Capacity-building needs

OKO requested support from SCBF to scale-up its distribution network in Mali following an initial pilot that showed great potential. This intervention was critical for OKO's development because:

- It was too early for institutional investors (VC funds) to support OKO, and
- SOCODEVI, the NGO supporting the initial pilot (FARM), decided to halt the collaboration as their focus was on yield-based insurance (using field sampling) instead of weather index-based insurance.

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

The main project activities included:

- 1) Designing and launching the first iteration of the maize insurance in several regions in Mali (initially planned for Q4/2019 but eventually delayed to early 2020).

⁴ SUNU Annual report 2020 https://sunu-group.com/upload/post/RA_SUNU_2020VF_web.pdf

- 2) Expanding the launch of the maize insurance product across Mali (full launch) starting from Q1/2020, to reach 305 maize farmers (initially planned for Q2/2020 but actually accomplished in Q4/2020).
- 3) Completing the development and underwriting of the cotton insurance product (Q3/2020).
- 4) Launching the cotton product across Mali (planned for Q4/2020 but actually completed in Q2/2021).
- 5) Completing the addition of a catastrophic flood coverage for maize and cotton farmers (planned for Q1/2021 but completed in Q2/2021).
- 6) Launching the flood protection product commercially across Mali and reach 15,182 maize and 3,306 cotton farmers with insurance by project end (planned for Q2/2021 but not fully completed despite project extension to Q2/2022).

All activities and outputs were accomplished despite some delay. However, the final output of reaching 15,182 farmers with insurance could not be reached despite a 12-month extension.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client-level

The main goal of scaling-up the reach of OKO's insurance service was achieved. Before the project started, only 440 farmers were insured through OKO. By the end of the project, 12,500 farmers (25% women) were insured. Thanks to the co-funding from SCBF, Malian farmers can now access drought and flood insurance for maize and cotton crops. Furthermore, during the course of the project, OKO also launched additional products for millet, sorghum, sesame, and peanut.

The below metrics highlight client satisfaction with OKO's insurance products:

- Between 2020 and 2021, client retention reached 76%, which is impressive given farmers rotate crops, which OKO may not cover.
- 69% of OKO customers say that OKO was beneficial or very beneficial to their livelihood (results from a survey conducted by ADA and Göttingen University of 667 customers, including 57.3% who received an indemnity)
- 3,000 farmers have received an indemnity for the 2020 and 2021 seasons.
- 63% of the farmers that received an indemnity stated that it was sufficient to help them recover partly or fully from the losses they incurred.

OKO also negotiated an easier access to loans for insured farmers. Two microfinance institutions agreed to make it easier for insured farmers to get loans by lowering the guarantee requirements. Even though only a small number of farmers got a loan, all of farmers that did so reported that the OKO insurance played a major role in their successful loan applications. More details can be found in [the study](#) published by the ADA and the University of Göttingen.

It was also the first time in Mali that an insurance was available for cotton farmers. OKO worked in partnership with the Cotton Confederation and CMDT (the state-owned cotton industry).

However, not everything was ideal. During the 2021 season, many maize and cotton farmers were affected by droughts. While OKO's insurance compensated a considerable proportion of them, some severely affected farmers remained without indemnity as the weather index chosen by OKO failed to record the lack of rain in that area. This caused dissatisfaction among farmers, and resulted in a much lower retention rate, dropping from 76% in 2021 to 23% in 2022.

As a result, OKO adapted the index for the 2022 season to make it more reliable. Additionally, one of the challenges is that the payments are processed with a significant delay. This is partly due to slow processing by the insurer (SUNU) and its reinsurer (AfricaRe). This, compounded with the challenges brought by the financial embargo in 2022, provide an insight into OKO not achieving the target of reaching 15,182 farmers.

Clients highlighted that the insurance pay-out allowed them to solve problems which they would have previously solved by borrowing from friends or relatives. The insurance also enabled some of the clients to continue to do their work with courage. However, other clients complained that the insurance pay-out was not adequate to meet the needs of their family. These are areas that OKO could improve on in the future.

Client stories

Rokia Bah (pictured on the right) is a female farmer belonging to the Benkadi cooperative in Tamani village in the Ségou region. She first heard about OKO on the radio, and then received the visit of the OKO team. She was not previously insured, but thinks it is a great initiative. This season she decided to insure her field for the first time.

Her interview is available on OKO's [YouTube channel](#).



Balla Togola (pictured on the left) from the Seyla-Soba village in the Koulikoro region is the head of his village's maize producers cooperative. Below are his remarks in an interview with *Deutsche Welle*:

"OKO was very beneficial for us last season. They really accompanied us and we received compensation due to the excessive rains. We are calling on other producers to join OKO agricultural Insurance to protect themselves against climate change. OKO informs us of the state of the rains from the beginning of the season until the end. There is no need for them to travel to see the field because they can monitor remotely with technology and inform us in real time. I insured 10 hectares last campaign for CFA 45,000 and I was compensated up to CFA 460,000 (that is CFA 42,000 per hectare). This year I insured 15 hectares. I encourage other producers to move towards these kinds of solutions. It's hard to convince our producers, because they always want to see others take the first step before starting. Be sure to increase your productions."

Financial Sector Partner(s)-level

Social performance and client satisfaction

The SCBF-funded intervention was key to allow OKO to reach more individual customers, all of whom are either marginalised or otherwise vulnerable/excluded groups of people. Even though the intervention only covered one region/area, the funding from SCBF allowed OKO to grow to:

- 5 regional managers and 70 agents trained in 2020 (despite not everyone was retained for the full sales period)
- 7 regional managers and 93 agents trained in 2021
- 12 regional managers and 152 agents trained in 2022

Of the 19 agents active during the 2020-2021 sales period, 12 continued with OKO in 2022. Additionally, 33 agents working with OKO in 2022 were also active in 2021.

While there are no concrete figures on the exact number of maize or cotton farmers in Mali, it is estimated that 80% of the Malian population works in the agricultural sector, translating to approximately 16.2M people. The coverage ratio by OKO during the project duration increased from 0.03% to 0.8%. Both the poverty outreach ratio and the rural outreach ratio are at 100%.

Insurance outreach and portfolio trends

The project allowed OKO to develop its product portfolio. From covering only maize against a single risk (drought) in 2019, OKO developed a flood coverage and a specific product for cotton thanks to the co-funding from SCBF.

	2020	2021	2022
Total number of active clients	1,800	8,596	11,004
Total number of lives covered	39,930	218,306	275,242
Total number of policies	1,815	9,923	12,511
Total gross premium (earned)	9,344,727	118,266,790	78,901,082
Total sum insured (EUR)	355,337	3,960,000	2,291,147
Growth ratio		378%	28%

Insurance product value and Service Quality:

	2020	2021
Incurred claims ratio	67.3 %	5.4%
Promptness of claims settlement	155 days in average	132 days in average

Partnerships and investments

SCBF intervened at a stage when OKO was not yet mature enough to convince large companies to partner, or institutional investors to finance its growth. But the progress made thanks to the SCBF support and financing allowed OKO to build trust and be seen as a more mature start-up company.

OKO Mali has since been able to sign partnerships with microfinance institutions in Mali, including Baobab, Nyesigiso and VisionFund. Internationally OKO signed partnerships with ABInBev, Touton and British American Tobacco. This collaboration with SCBF also helped OKO to gain the credentials required for working with development organisations such as the Insuresilience Solutions Fund and the UNCDF.

OKO also attracted new investors. In April 2021, OKO closed a seed investment round of USD 1 million from three investors: Newfund Capital, ResiliAance (Touton's corporate VC) and Mercy Corps Ventures. Additionally, four other investors, including Katapult VC and angel investors, joined in an extension round.



An OKO agent conducting an outreach meeting with villagers.



A call centre agent in the OKO office in Bamako.

4. LESSONS LEARNT

The intervention was relatively well planned as the activities did not need modifications during the course of implementation and most of the objectives were successfully achieved. However, the targets initially set were too ambitious (despite SCBF's feedback to reduce them during the proposal stage). The project, therefore, had to be extended by a year.

The main challenges faced difficulties in reaching individual farmers, and collecting payments. Despite many farmers having a mobile money wallet, these are often empty, and farmers require help to operate them. Partnerships with MFIs were established to overcome this challenge but did not yield the expected results (also because of their limited reach in rural area).

Additionally, OKO's operations were affected by the COVID-19 pandemic and the two military coups in Mali during the project implementation. OKO achieved the main object and within two years, became the most popular crop insurance in the country, proving that the mobile distribution approach has potential.

For future projects in this field, OKO recommends scheduling a more progressive growth, and scaling-up in one region before expanding to new areas. The slow operating speed of local partners and governments also need to be considered when drafting the timeline. Finally, the metric for success should have been the cumulative number of unique customers having been insured since the start of the project instead of the number of "active policies", which was reset to 0 every year. This could have pre-empted the need to extend by a year due to delays.

This project and the support from SCBF was helpful for OKO to increase its recurring revenues and get closer to profitability despite the many challenges. Building off the market traction created in Mali, OKO launched activities in Uganda and the Ivory Coast. Looking forward, OKO Mali aims to become sustainable by 2023, which would secure its presence in the country for the years to come and pave the way for expansion to other similar markets.

ⁱ The World Bank Group (2020-2021). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed Sept 2022

ⁱⁱ Heritage Foundation, (2022) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed Sept 2022

ⁱⁱⁱ The World Bank Group (2020). Worldwide Governance Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed Sept 2022

^{iv} Oxford Poverty and Human Development Initiative (2021). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford. https://ophi.org.uk/wp-content/uploads/CB_MLI_2021.pdf data source: DHS year 2018,