

# Financial education and creating awareness for launching of crop insurance schemes for smallholder farmers in Cambodia

## 1. FINANCIAL EDUCATION (FE) CONTEXT

The Royal Government of Cambodia promotes financial inclusion as a strategy to reduce poverty, over the last few years, by supporting the development of various affordable, quality, and effective financial services. Digital solutions and platforms are envisioned to enhance financial inclusion. The government seeks to increase access to formal financial services to 70% by 2025, reduce women's financial exclusion from 27% to 13%, promote household welfare, and support economic growth. As a result, Cambodia's central bank has encouraged and supported the use of technology to improve financial inclusion.

Agricultural insurance is a risk mitigation mechanism for farmers as it protects farmers against shocks such as yield loss due to adverse climate events or pest attacks. Cambodian farmers are very traditional in terms of financial management and have had little to no exposure to financial education (FE) and insurance. Both men and women smallholders have a similar level of FE. While agricultural loans are relatively well-known to farmers, despite room for improving their knowledge and practices to avoid over-indebtedness, agricultural insurance is a new concept.

AMK provides financial inclusion awareness programmes for families and individuals to have access to useful and affordable financial products and services through the Tonlesap app. They began offering health and accident insurance policies to AMK's loan clients since 2015. Over 80% of AMK's clients are now insured and about 25% buy additional policies for their spouse. AMK's main offering is credit-linked microinsurance, focusing on health and accident. There is no crop insurance programme in their portfolio. They have participated in Syngenta Foundation's crop insurance and capacity-building programmes for their staff and clients since 2019, with a view to launch a pilot once credit-linked crop insurance is approved by the regulator.

Since 2015, FORTE Insurance has pioneered crop insurance projects with around 200 farmers in Battambang, Banteay Meanchey, Pursat, Siem Reap, and Kampong Thom provinces, focusing on the rice, rubber, cashew and maize value chains. However, they could not scale-up the products mainly due to limited technical capacity, and lack of awareness amongst farmers.

## 2. INTERVENTION APPROACH

### Financial literacy needs assessment

Awareness of risk transfer mechanisms or financial literacy is extremely low amongst farmers, financial institutions, and other stakeholders including the government and supply chain partners, preventing the adoption of crop insurance in Cambodia. Though many development organisations such as GIZ, IFAD and ADB have tried to implement commercial crop insurance programmes since 2014, challenges remain mainly due to limited awareness and technical capacity amongst the stakeholders. Therefore, the Syngenta Foundation for Sustainable Agriculture (SFSA) launched a financial education campaign and insurance awareness programme to complement the insurance roll-out by building smallholder farmers' capacity in financial management and insurance, as well as good agricultural practices. The project also included training-of-trainers (ToTs) for relevant staff at the level of the insurer (FORTE), aggregator (AMK and Chameroun), government (Ministry of Agriculture, Forest and Fisheries [MAFF], and agri cooperatives from central and local authorities) and development organisations (iDE and World Vision).

SFSA interviewed farmers from 30 communes of Battambang, Pursat and Pailin provinces and potential market stakeholders to understand the key challenges, which included:

- Poor understanding of crop insurance and index insurance as an essential risk transfer mechanism. Therefore, insurers and reinsurers are not interested to invest in improving technical capabilities.
- Lack of in-house expertise and experience in designing crop insurance policies as well as providing financial literacy trainings at the level of the financial institutions.
- Limited resources, such as digital training tools, to create awareness on good agronomical and crop management practices and insurance.
- Farmers' dependence on providers like AMK and FORTE to foster good financial management and insurance practices and create awareness on product benefits.

- Limited understanding/trust and support from the potential distribution channels such as banks and MFIs.

This FE campaign intended to close these gaps with activities to improve the financial literacy of partner financial institutions' (PFI) staff and their clients, educating them about the basics of insurance its benefits and good agronomical practices to make the offer attractive, thereby boosting resilience and contributing to financial inclusion.

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

This project focused on achieving the below objectives:

- a) Design and development of educational videos and materials
- b) Training-of-trainers (TOT) for at least 125 staff members and key stakeholders
- c) Face-to-face trainings with a at least 7,020 smallholder farmers (including at least 60% women)

This financial education campaign intended to create awareness and strengthen partners' capacities in delivering effective financial literacy and insurance trainings, including a more comprehensive face-to-face training package for farmers which included trainings on good agronomical and crop management practices. As a risk mitigation strategy, the PFIs and SFSA envisaged launching two weather index insurance (WII) schemes for maize and cassava crops and one area yield index insurance (AYII) scheme for rice crop in line with the commitment to creating shared value. SFSA supported the PFIs in developing digital training tools and distribution platforms to allow wider dissemination and diffusion beyond resource-intensive face-to-face training sessions.

In line with their priority to expand business operations, both AMK and FORTE will continue the trainings, potentially reaching 10,000 smallholders by June 2024.

### Partner financial institutions (PFIs)

AMK MFI began as Concern Worldwide's microcredit and savings initiative in the early 1990s. AMK began offering health and accident insurance to loan borrowers as a pilot in 2014, then nationwide in 2015. Over 80% of AMK's clients buy insurance for themselves and 25% for their spouse.

AMK had over 1 million consumers, 150 outlets, and 7,000 agents in 2021. AMK offers loans, deposits, money transfers, and microinsurance (focus on health and accident).

FORTE Insurance (Cambodia) Plc. founded in 1999. FORTE's main objective is to provide a safety net for people and businesses across all levels of society to be financially protected in Cambodia and Southeast Asia. Their vision is to protect and empower everyone in the region for a better future by providing innovative customer-focused products and services, building people's capacity and advancing the insurance industry in the markets they operate in. Their values reflect what they stands for: Forward thinking, Open, Responsible, Trustworthy and Empowering.

This FE campaign was established to enable AMK and FORTE to provide their smallholder farmer clientele with sustainable financial literacy trainings and resources, by:

- Training designated staff from both AMK and FORTE in the key topics using a ToT approach; and
- Enabling the trained AMK and FORTE staff to further train the extension agents at their branch offices, government officers, NGO staff and input dealers for the training smallholders using the developed videos.

## 3. RESULTS ACHIEVED AND NOT ACHIEVED

### Client-level

During the two years of project implementation, all targets were successfully achieved. 294 trainings face-to-face trainings were conducted, reaching 7,780 smallholder farmers, of whom 4,680 are women. The trainings helped build their awareness on financial literacy, good agronomical practices and crop management.

A post-project survey was conducted with 222 farmers to understand the impact of the FE campaign, their satisfaction and future needs. SFSA assessed the farmers' level of financial management knowledge and skills by asking them a series of questions on their views and interest in the training course, as well as their knowledge, behaviour, plans and actions relating to financial management using a combined rank-score ordering method and open-ended questions. The objective was to examine their capacity to make financial plans, keep financial records, save and invest money, and manage financial risk and household debt.

The results revealed numerous positive reflections and outcomes. This impact assessment revealed that only about 6% of the farmers had heard about crop insurance and less than 1% had previously purchased index insurance. Additionally, insurance product knowledge amongst those who bought the policies was negligible.

Of those that participated in the trainings, 78.2% farmers expressed their satisfaction with the facilitators and training materials. They reported that both the approach and materials were engaging, straightforward, and applicable to their local context. They expressed their enthusiasm to apply the financial knowledge into their everyday lives in order to improve the prosperity and happiness of their families. They also reported that the financial literacy course had broadened their knowledge of financial and money management. For example, prior to the training, they explained that they did not pay much attention to the differentiation between needs and wants. However, the trainings helped them differentiate between necessary and unnecessary (optional) expenditures. These insights highlight positive changes in knowledge, and attitudes toward financial management. Additionally, 57.4% of the farmers showed an interest in buying crop insurance policies in the future while only 26.8% were interested in buying insurance for the coming season. 30.6% of farmers reported that they would like to wait and see the experiences of other farmers before investing in insurance. 42.6% of the respondents felt that the 3.5% rate of insurance premium is very expensive for them, suggesting that the premiums should be kept below 1.5% to attract more number of farmers. 21.8% of the respondents expressed that this was the first training of its kind they participated in and expressed a need for additional trainings to understand the technical aspects of crop insurance.

After the training, every farmer expressed their excitement and appreciation to the donors and training facilitators for organising this important agricultural insurance training course at their communes. They added that agricultural insurance service is vital because it compensates farmers in the event of a crop loss or failure and prevents them from falling into debt.

**Partner financial institutions' level**

As part of this project, SFSA conducted six trainings to train 175 staff members (including 65 women) from AMK, FORTE, Chamroeun MFI, MAFF national and subnational bodies, agricultural cooperatives, iDE Cambodia (iDE) and World Vision (WV).

The programme was designed to enable AMK and FORTE to offer financial literacy packages to smallholder farmers while becoming first movers in commercial crop insurance and triggering a sector-wide movement by sharing the training tools widely at the community-level as well as through digital platforms. In order to inspire other key stakeholders, all training materials developed through this project were made publicly available. As a result, MAFF, agri-cooperatives, Chamroeun MFI, World Vision and iDE requested SFSA to organise training programmes for their staff and clients. Consequently, SFSA included their staff and farmers in all training activities in the targeted provinces.

To facilitate the trainings, SFSA developed 15 animation videos on generic financial literacy (FL), crop insurance, good agronomic practices and crop management for rice, cassava and maize, as well as manuals for ToTs to organise face-to-face trainings with farmers. All videos were disseminated through Facebook, YouTube and the Tonlesap app to reach as many people as possible. As of 15 November 2022, the videos has received 91,423 views on Facebook, 2,665 on YouTube and 1,688 on the Tonlesap app.

This intervention enabled both AMK and FORTE to develop in-house capabilities in designing, testing, and refining financial literacy training methodologies and tools as well as effective digital training tools to cost-effectively reach a large number of farmers. Additionally, to keep the momentum beyond 2022, FORTE and SFSA recently signed an MoU to continue the FE training campaign until 2025.



*Training-of-trainers for stakeholders*



#### 4. LESSONS LEARNT

- Precise and user-friendly training materials with a short duration (approximately 3 to 4 minutes) created a lot of interest amongst the participants. The full package of training materials is designed separately to account for the needs of farmers and ToTs.
- A majority of the farmers were pleased with the content and training materials. Not only were they interested in the key modules, such as household budgeting, savings, and increasing household income, they also requested additional courses and trainings for other members of their community. Many farmers shared their commitment to apply the knowledge they gained on better household budgeting, income diversification and prioritising their expenditures to maximise savings.
- The good collaboration with local government stakeholders and partners enabled successfully achieving the project objectives.
- Farmers are more interested in area yield index insurance (AYII) compared to weather index insurance (WII), as it covers majority of the losses.

#### Challenges and Recommendations

- A lot of time was required to develop the training materials first in English and then translating to Khmer, the local language.
- One of the major challenges experienced by the trainers was the amount of information to be provided in a limited timeframe of 2-hours per training session. Trainings had to be limited to 2-hour sessions to account for farmers' availability as well as attention span.
- Another major challenge faced by the MFI credit officers (who are the main contact with the farmers) is the amount of information that needs to be provided to farmers in a limited time during their visit, given that the main priority for loan officers is loan repayment and savings. Similar interventions are recommended to ensure there is dedicated personnel available to conduct the trainings during the sales period, as well as work with partners and offer them incentives to support with farmer trainings.
- As the project duration is two years and the insurance product was not offered at the same time as the trainings (as the product was under development), it was not possible to capture behaviour changes.
- A key recommendation is to organise refresher trainings for the ToTs to keep them up-to-date with the latest technical developments.
- As there was interest amongst vegetable and fresh water aquaculture growers, there is an opportunity to develop future FE campaigns focusing on their needs.



*Training-of-trainers for AMK and FORTE staff in their branch office.*

**5. Annex 1: Feedback from farmers on the FE programme**

<p>Pao MEAS and Ra KEO, Sre Ou Village, Bay Damram commune, Banan district, Battambang</p> 	<p>After teaching the AYII programme, we observed that farmers in the Banan district, Battambang province have fair knowledge about crop insurance, and many farmers have learned about and used weather-index insurance. Therefore, farmers are more interested in insurance based on the area yield index, as they see that for the past three to four years, the farmland in their commune has been affected by floods and droughts. Thus, they said that having AYII can also help solve their problems. Not only that, a farmer living in Sre Ou village, Banan Bay Damram commune, Banan district was very interested in crop insurance and he said that if this programme was available in his village he would buy insurance to cover his entire farm and protect his income in case of floods, which have occurred for the past three years. This cover would allow him to buy seeds and continue working on the farm.</p>
<p>An Bel, a farmer who cultivates rice, shared her impression after attending a training course on financial education: “This sort of lesson can help changing peoples’ minds as well as remind them on how to manage their finances. I would like to suggest to have this training again since I want more villagers to join and learn. Based on my past experience from earlier training programmes, I changed my habits and started managing my cash properly. That’s the reason why I want more villagers to join this kind of training for better budgeting.”</p>	<p>An BEL, Sya Village, Sya Commune, Kandieng District, Pursat Province</p> 
	<p>Training of farmers in Kab Kror lanh village, Pursat Province.</p> <p>“We are really pleased with the crop insurance training. We believe every farmer in our area will use the insurance to protect their farming if the service is available in our region.”</p>

**6. Annex 2: The main activities and outcomes of this financial education project**

Description of main activities and outcomes
<p><b>a) Design and development of the educational videos and material</b></p> <ul style="list-style-type: none"> <li>• Six animation videos on generic <a href="#">financial literacy</a></li> <li>• Five <a href="#">videos</a> on crop insurance that includes the procedure and process of crop insurance implementation – how farmers register for the insurance cover and how and when they receive the pay-outs; three animation videos (one each on rice, maize and cassava) on what are the main risks and how losses will be calculated under AYII and WII</li> <li>• Three <a href="#">videos</a> on good agronomic and crop management practices – one each for rice, cassava and maize</li> <li>• Three manuals for trainers to organise face-to-face trainings for smallholders:             <ol style="list-style-type: none"> <li>1. Financial literacy <a href="#">manuals</a> for trainers (Khmer and English versions)</li> <li>2. Crop insurance <a href="#">manual</a> for trainers (Khmer and English versions)</li> <li>3. Good agronomic and crop management practices <a href="#">manual</a> for trainers (Khmer version)</li> </ol> </li> <li>• Twelve manuals for farmers in the local language             <ol style="list-style-type: none"> <li>1. Six financial literacy <a href="#">manuals</a> for farmers (Khmer and English versions)</li> <li>2. Three crop Insurance <a href="#">manuals</a> for farmers (Khmer and English versions)</li> <li>3. Three good agronomic and crop management practices <a href="#">manuals</a> for farmers (Khmer version)</li> </ol> </li> <li>• Dissemination of messaging using social media online presence through Facebook and YouTube</li> <li>• App customised for FE campaign – AMK’s Tonlesap App is used extensively to disseminate the information: How to <a href="#">install</a> the Tonlesap App; How to locate the <a href="#">information</a>; How to find the <a href="#">materials</a> in the App</li> <li>• One video on farm household financial literacy <a href="#">game</a> (note that the game needs to be installed first before start playing. <a href="#">Instructions</a> how to install and play the game are given).</li> </ul>
<p><b>b) Staff capacity development:</b> Conducted 6 <a href="#">training of trainers (TOT)</a> for 175 staff members from AMK, FORTE, Chamroeun MFI, MAFF national and MAFF subnational, agricultural cooperatives, iDE, World Vision etc. (trained 65 women and 110 men)</p>
<p><b>c) Face-to-face training: FE campaign implementation, monitoring and coordination, and impact analysis of the FE campaign:</b> Conducted 294 face-to-face farmer trainings for 7,780 farmers with <a href="#">participation</a> of 4,680 women and 3,100 men. Towards end of the program collected <a href="#">farmer’s testimonials</a> to get their opinion and understand their views on FL campaign.</p>