

Financial education for upscaling agriculture insurance for smallholder farmers by ACRE Rwanda (Rwanda)

1. FINANCIAL EDUCATION (FE) CONTEXT

Rwanda's national development strategy envisioned transforming Rwanda into a middle-income country by 2020. To achieve this goal, broadening and deepening basic financial literacy and increasing access to financial services is one of the key strategic priorities. The level of financial inclusion stands at 93% and both banking and other formal non-bank sectors recorded significant growth in the number of financially included population.¹

However, the greatest opportunity would come from ensuring financial inclusion that goes beyond access and uptake to measure the impact of financial inclusion and financial health in Rwanda. A financially healthy nation should be prepared for unexpected financial shocks or emergencies. Of the adult population, 61% experienced financial shocks in the 12 months prior to the [FinScope survey in 2020](#), and only 40% of these used financial devices to mitigate financial shocks.¹ Main barriers to uptake and use of financial services remain affordability and lack of awareness.² Extensive financial education programmes can not only improve knowledge of personal financial management, but also transform this knowledge into financial actions.

Financial literacy needs assessment

Since 2014, ACRE Rwanda has reached 188,675 farmers (cumulatively) through index-based crop insurance and indemnity-based livestock insurance products. Through this SCBF intervention, ACRE Rwanda collaborated with the Busara Center for Behavioral Economics to conduct a baseline research survey aimed at improving consumer uptake of agricultural insurance products across Rwanda using two thematic concepts: 1) assessing the decision-making processes and attitudes towards insurance in order to develop product prototypes, and 2) evaluating financial literacy levels to design educational material that fits the farmers mental model for conceptualising and valuing insurance product offerings.

Key findings from the assessment show that knowledge gaps are the key barriers to the uptake of agricultural insurance, alongside consistent underestimation of the catastrophic risks involved in agriculture, poor tracking of financial records, inaccessibility of modern farming technologies, uncontrolled moral hazard, and adverse selection. While smallholders have a basic understanding of insurance, their general lack of financial literacy is driven by various degrees of behavioural attitudes, such as resistance to change, lack of trust, risk tolerance levels, low knowledge around insurance as it is a complex topic, as well as low income at smallholder household and many conflicting domestic needs (household daily needs, health and education expenses etc.). Therefore, sustained awareness campaigns are needed to bring about a positive change in farmers' perceptions. For the uptake of agricultural financial products and services, such as insurance, to be effective, it is critical to equip smallholders with basic financial literacy to encourage them to adopt risk-reducing practices, increase farm productivity and improve the livelihoods.

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

The lack of awareness and adoption of new concepts of risk transfer solutions propelled ACRE to seek funding support from SCBF to introduce financial literacy programmes on insurance and promote the uptake of these products. The partnership with the Busara Center for Behavioral Economics aimed at creating: (i) compelling insurance products by tailoring them to the needs and behaviors of targeted consumers, and (ii) effectively communicating on this insurance by adapting to the literacy levels of smallholder farmers.

The data obtained led to the development of risk assessment modules customized to profiles of different value chain and development actors, such as government stakeholders, financial institutions, NGOs, input suppliers, agribusinesses, and cooperatives. The Busara Center for Behavioral Economics adapted ACRE Africa's financial literacy modules to identify perceptions that influence the delivery of insurance information and the consequential impact on uptake. Financial institutions benefited from ACRE Africa's FE training for the loan and field officials who were trained as trainers-of-trainers (ToT's) due to the role they play in aggregating farmers for loan distribution which would be bundled with insurance.

The delivery modalities were tailored to the meso-level financial institutions and input companies and micro-level target clients to effectively communicate about insurance and its value propositions. The financial education intervention was structured around the key thematic areas including farmers' general knowledge, experiences and perceptions around insurance, factors influencing farmers' decision-making and insurance uptake, sources of information for farmers, their expectations from insurance products, risk mitigation and management, risk tendency, and financial literacy and willingness.

By repeatedly exposing farmers to the concept of insurance as a risk management tool (awareness creation), followed up by trainings to transfer knowledge and equip them with basic information, farmers were able to quickly grasp the importance of insurance. ACRE believes that outreach extension services must be strengthened and linked to other initiatives offering investment opportunities to cooperatives to help improve the sustainable pathway to drive the uptake of insurance as a risk mitigation instrument with complementary partnerships at the heart of enabling scale and maximizing impact.

Additional funders

The Swiss Agency for Development and Cooperation (SDC) contributed to the intervention through grant funding, while ACRE Rwanda, as the partner finance institution, has contributed in-kind with staff time. Further, ACRE Africa in its role of facilitator engaged relevant stakeholders and value chain actors (financial institutions, farmers cooperatives, NGO aggregators, underwriters, government, buyers and processors) who contributed to the financial education intervention and events through various cost-sharing agreements.

Financial Sector Partner(s)

The Busara Center for Behavioral Economics and ACRE Africa jointly developed the financial education modules, which were instrumental in bringing on board two key financial partners - Bank of Kigali and Equity Bank. Partnering with Zep Re also helped elevate ACRE's visibility, which was essential for meeting the FE targets and sustaining the intervention. ACRE Africa is a subsidiary of PTA (Preferential Trade Zone) Reinsurance Company Zep-Re (Zone d'Echange Preferentielle) established by Heads of States and Government of COMESA (Common Market for Eastern and Southern Africa), one of the largest regional bodies covering 19 African countries.

Bank of Kigali commenced its operations in 1967, serving as one of the market leaders in the banking sector. Bank of Kigali's growth over the last five decades is a true story of resilience with three subsidiary companies (BK General Insurance, BK TecHouse and BK Capital). BK TecHouse and BK insurance are actively involved in providing innovative technological solutions to smallholder farmers.

Equity Bank offers integrated financial services that socially and economically empower consumers, business, and communities. It provides inclusive financial services that transform livelihoods, give dignity, and expand opportunities to communities of farmers, amongst other client segments.

2. RESULTS ACHIEVED AND NOT ACHIEVED

Client-level

Most of the smallholder farmers that participated in the FE trainings were in agreement that insurance is beneficial. In the event of any loss due to perils such as adverse weather events, farmers appreciated knowing that the losses are covered by insurance and they would be compensated. During the trainings, it was clear that farmers viewed insurance as a solution to the recurrent losses experienced at the farm-level. At the end of the training period, most farmers expressed a general feeling of security on their farming investment. However, a limited number of farmers in the elderly and uneducated segments were still critical of the value of insuring their property.

During the two years of the pandemic, outreach programmes to smallholder farmers were mainly channeled through the extension officers network referred to as '*village champions*' using various forms of remote/virtual trainings due to the frequent COVID-19-related movement restrictions and lockdowns. Extension officers benefited from intensive and regular practical skills to sufficiently empower them to take forward future outreach campaigns as evidenced by the high demand for insurance services from smallholder farmers. The online trainings and distribution of didactic materials in various formats, such as videos scripts, soft-copy documents and voice messages was made possible by a solid infrastructure (availability of power in most of rural areas, high penetration rate of mobile phones, good internet connection, and well-structured networks of extension officers and rural insurance agents). This enabled reaching larger number of participants that planned through the financial literacy campaigns.

Most of the trained farmers demonstrated an interest in learning more about agricultural insurance with no preconditions on where the information meetings or gatherings would take place. Physical training sessions at the village-level were more attractive and showed that a majority of the participants had critical unanswered questions, for instance what the benefits of different agricultural insurance plans are, how to access the insurance services, the mode of premium and compensation pay-outs, the administrative paper work required etc. Farmers highlighted the value of these field-level participatory discussions in providing them with access to information in a friendlier and interactive manner. Didactic training materials (booklets, fliers) and marketing tools (branded T-shirt, cups, pens etc.) played a significant role in building visibility with smallholder farmers. Once the initial in-person trainings were conducted, further follow-up training could be undertaken remotely through phone calls. In some instances, it was necessary to hold further on-site meetings to deliver upgraded versions of the modules.



Figure 1: ACRE Africa delivering a ToT trainings.

Table 1: FEW: Summary achievements as per the amended final targets

Smallholder farmers	Target	Total	Males	Females	Urban/Rural	Achievements
Financial services providers	155	221	146	75	All rural	152%
Agri input suppliers	20	25	15	9	All rural	125%
Government extension officers	270	338	260	78	All rural	150%
Physical meetings	3100	40000+	23,529+	16,471+	All rural	Scale up phase
Digital TV & Radio	100000+	5,5 million	4,4 million	1,1 million	90% rural/10% peri urban	Achieved

Financial Sector Partners-level

ACRE Africa strongly believes that financial education delivered in a consistent manner and designed to respond to the farmer's specific culture and existing status is fundamental to the sustained uptake of insurance products as well as for market development. The financial education component is intended to provide an enhanced uptake of insurance services as a direct outcome.

The set-up phase entailed ecosystem analysis to align expectations of key stakeholders involved in the agriculture production sector followed by the development of training manuals based on identified skills gap to ensure successful rollout and functioning of an agri-insurance system. The training programme was centered on factors associated with the low uptake of risk transfer solutions as identified in the baseline assessment undertaken by Busara Center for Behavioral Economics. The action focused mainly on institutional capacity strengthening and provided technical assistance to the NAIS Project Implementation Unit (PMU) to coordinate and catalyze the private sector innovation and investment in agriculture insurance. To sustain the outreach process, the pedagogical training approach leveraged the well-established network of village proximity extension officers from the government to convey relevant information on the insurance processes, the product features and value proposition for the input suppliers, the agri-lenders and smallholder farmers. The goal was to support cooperatives in the adoption of risk-mitigation options and link them to financial service providers.

On the supply side, as a result of the SCBF funding support, ACRE was able to develop the underwriting capacity of five (5) insurance supply partners including insurance companies and their rural network of agents and brokers. The training module content focused on addressing critical challenges to uptake

identified, including insufficient resources/low purchasing power, lack of suitable smallholder-centric insurance products and low trust for insurance companies by farmers. Topics ranging from the rational and benefits of the agriculture cover, the product structure, the registration requirements, the policy details, the claim processes, and product monitoring etc. formed the core of the necessary operating procedures. The outcome was to come up with innovative ways to make insurance more attractive to smallholders and to streamline enhanced trust to insurance products. This involves adapting financial services and products to match the risk profile of the market demographic through bundling index insurance with agricultural credit and farm inputs.

To ensure successful rollout, farmer aggregator organisations (NGOs, development actors, agro-dealers, and agribusinesses) were trained to interface and create engaged synergies with the demand and supply side of the market. The combination of direct and indirect trainings had reached 17,706 farmers by September 2022 and numbers are still increasing. Underwriters and financial institutions and their rural branches and agents acquired in-house capacity to manage agricultural loans and insurance products. As a result of ACRE’s FE activities with partners, all participating insurance companies created departments of agriculture insurance and recruited new technical personnel.

In the effort to sustain the agri-financing ecosystems and drawing from the outcomes of the financial literacy campaign, ACRE Africa developed a new soil moisture index-based insurance product to be bundled with input loan from two leading financial institutions. Bundling input credit with insurance will enhance on-farm production while protecting farmers against loan defaulting.

In line with the sustainability of the financial education intervention, ACRE Africa has approached the Bank of Kigali Group (BK Group), to leverage their farmer portfolio by distributing insurance and financial education training through the bundling model. The latter distributes agriculture inputs through a USSD-based digital platform. The partnership aims to link more than 2 million smallholder farmers to a network of agro-dealer outlets across the country and provide financial education to this target clientele over the next two years.

A different business model is also being tested with Equity Bank in what is termed as post-Covid-19 “Marshal plan” that assigns more than 35% of the bank’s lending portfolio to the agriculture sector. ACRE Africa plays a technical assistant service provider role to steer the process of linking insurance products to the bank, risk underwriting companies and smallholder farmer cooperatives as well as extending training to other stakeholders using the training resources developed through the SCBF funding.



Figure 2: ACRE team at a livestock pen during insurance ToT training for vet officers

LESSONS LEARNT

- The design of the FE campaign was effective because it was structured to start with an assessment that captured the baseline experience and status of the farmers. Farmer-centric modules aimed at investing in local capacity were designed giving farmers a voice to deal with the root causes of risk in agriculture by exploiting the opportunities in the value chain for risk-mitigation options relating to good agricultural practices, access to inputs, market arrangements and viability enhancement.
- The intervention was originally planned to run until 2021. However, the project was challenged with major underachievement during the Covid-19 pandemic and hence the duration had to be extended to meet the planned FE targets.

- The financial education programme focused on the factors associated with the low uptake of risk transfer solutions by local farmers as identified by the behavioral and financial literacy baseline assessment undertaken at the beginning of the project. The aim of the initiative was to assess the financial education gaps at partner- and farmer-levels, identify behavior-based approaches to bridge the gaps in order to establish sustainable scale-up strategies for insurance product sales.
- This FE intervention by ACRE Africa leveraged the strong collaboration environment with NAIS stakeholders and their rural sales outlets to mobilise large numbers of smallholder farmers. The collaborative action provided ACRE Africa with a platform to develop partnerships and pivoted successfully when the Covid-19 pandemic threatened to render operations ineffective. Sustained training and information dissemination among farmers is an expensive exercise and has only been facilitated consistently through the support of the project.
- Relevant farmer education topics listed and designed in the training manuals (such as financial literacy, transferring risk through insurance, good agronomic practices, stress tolerance mechanisms etc.) used to disseminate the importance of agricultural insurance on farm operations are critical to the uptake of agriculture insurance products. The data showed that limited numbers of smallholder farmers still perceive that insurance solution are only useful for large, commercial farmers. Distribution of insurance products to small-scale farmers was too costly to make business sense to insurers in most cases. It is therefore imperative to allocate more resources in the research and development of pro-poor affordable micro-insurance products and effective distribution channels to accommodate the smallholder farmer client category.



Figure 3: ACRE team at their booth during agriculture expos hosted by the cooperatives

Critical success factors include:

- Leverage well-structured partnerships at the local and international-levels, early adopter progressive farmers at the beginning of the intervention and the increasing numbers of converted smallholder farmers as a result of their peer experience of insurance intervention during the course of the product promotional campaigns.
- The way that the farming systems in Rwanda are structured along a cooperative-based smallholder aggregation model backed by village proximity extension services and high government institutional support was critical for this project. This structure made it easier to mobilise and access the farmers during the training undertaken both by ACRE Africa directly and by the champion ToT's. The smallholder farmer aggregation in cooperatives also makes undertaking policy monitoring activities and end-of-season feedback more efficient for ACRE Africa and its partners.
- ACRE's business model is structured to work alongside partnerships with stakeholders including government institutions, insurers, development actors as well as cooperatives operating in the industry. The output described is a result of a joint effort between stakeholders, capitalising on each partners' strengths. This has been greatly facilitated by the SCBF funding support. ACRE Africa played a fundamental role to establish linkage platforms between value chain actors and intends to build on the accumulated body of experience over the years and to leverage its shareholders domestic and regional influence to expand and sustain the intervention gains at scale.

3. Recommendations

- Observations made during the implementation of the financial education activity at meso-partners' level showed that financial Institutions need to build up a minimum of expertise to deal with risk management in agricultural finance and develop tailor-made financial products for the specific crop and market concerned.
- The landscape of extension resources in Rwanda is made up of young graduate agronomists and veterinarians posted at village level to serve as points of information for smallholder farmers. Extension officers need to be equipped with financial training skills to provide more streamlined financial literacy in their farming communities.
- Financial education must be offered consistently: smallholder farmers are not equipped with basic financial literacy to sustainably invest in risk-reducing practices, improve their resilience and productivity.
- Cascading training approaches and linkages to other initiatives offering investment opportunities to smallholder farmers' cooperatives (e.g., matching grants, shared training opportunities etc.) will disseminate actionable financial strategies and improve communication between stakeholders across the value chain.
- The government needs to provide an enhanced access to yield and climate information and ensure integration of legislation on climate change into national policies. This information/data and policy actions are essential for the design of customized insurance products and accurate dissemination of advisory information to end users including stakeholders and farmers.

¹ https://www.bnr.rw/fileadmin/user_upload/2020_Rwanda_Finscope.pdf

² <https://www.statistics.gov.rw/publication/finscope-rwanda-2016>