

# Bundling of insurance with credit by Ebdaa Bank in Sudan

## 1. DEVELOPMENT RELEVANCE

### Economic and poverty context

Sudan is Africa's third largest country, with a total size of 1,882,000 km<sup>2</sup> and a population of 45.7 million people as of 2022.

Sudan has plenty of arable land, natural resources, a preferably young workforce, and a great agricultural potential. However, its separation from South Sudan which is rich in oil, in July 2011 set off a downward economic trend. According to [IMF data](#), GDP halved between 2011 and 2019. The 75% drop in oil income caused a trade and fiscal deficit, resulting in a significant depreciation of the currency and soaring inflation, which averaged 359.09% in 2021, up from 163.26% in 2020.

Sudan's economy has been in a state of decline since 2018, with declines in all components of the GDP. The GDP per capita fell from US\$ 1,125 in 2017 to US\$ 780 in 2019, with real GDP estimated to have shrunk by 8.2% in 2020 due to the combined impact of COVID-19, extreme climate events such as floods, and intermittent shortages of vital commodities like fuel. Poverty has increased as a result, and COVID-19 has exacerbated it; observers agree that this is now prevalent. In 2014, the international poverty rate was 12.2%.

Sudan is now placed 174<sup>th</sup> out of 186 nations in the Economic Freedom Index, and it is in its second year of democratic transition, which has been primarily hampered by political instability, impeding economic growth in general.

### Financial sector context

According to the [IMF](#):

- i. Sudan has the lowest financial inclusion in sub-Saharan Africa, with only **15.3 percent of adults (aged 15+)** having a financial account. The five largest banks account for 55% of total assets, including one state-owned bank, the Industrial Development Bank, and four other joint venture banks which are held by the private sector, including foreign investors. The largest bank, the Bank of Khartoum (17.3% market share), is majority owned by UAE investors, and has no state ownership. Inter-connection among banks is very limited.
- ii. **The banking sector operates in line with Islamic law.** Since 1984, all banks have been required to operate according to Islamic principles. The Central Bank of Sudan (CBOS) has its own Sharia Supervisory Board (established in 1992) that ensures compliance with Sharia law, and every bank has its own Sharia Supervisory Board. Commercial banks provide traditional banking services by attracting deposits, granting financing and holding liquidity in line with Islamic principles.
- iii. **The banking sector remains vulnerable with several banks undercapitalised.** The CBOS sets the minimum capital adequacy ratio (CAR) at 12% of risk-weighted assets, but several banks' CARs have been below the requirement for many years, with some having negative CARs. In addition, the non-performing loans (NPL) are underestimated since the Central Bank only defines the past due unpaid instalments rather than the whole loan value. The Central Bank borrowed about US\$2 billion in foreign exchange from commercial banks years ago but has not been able to repay the banks. These illiquid foreign exchange assets are recorded as excess reserves in the central bank's balance sheet.

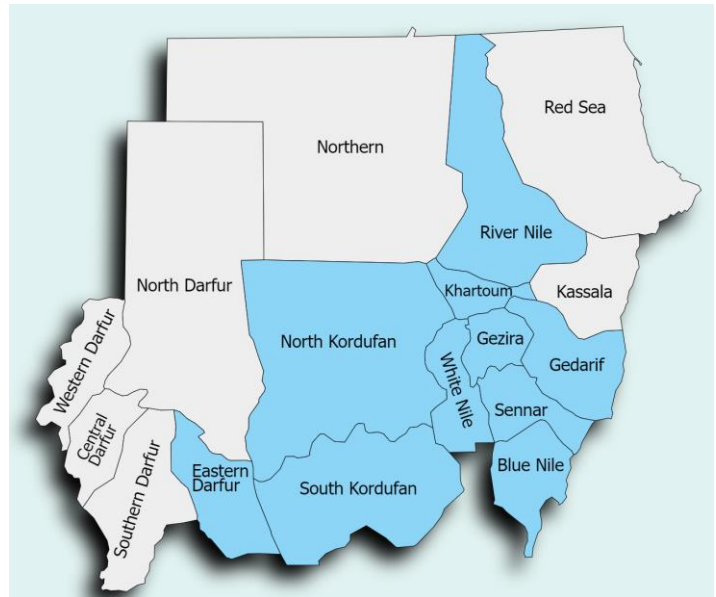
The [insurance penetration rate in Sudan is barely below 1%](#) despite great potential for insurance, especially agriculture insurance.

Table 1: Population and economic indicators	
Population in million (2022)	45,726,250
GDP growth (2020)	-3.6%
Inflation (2020)	150.3%
Trade balance (% of GDP) (2020)	0.1%
Foreign direct investment (net) (% of GDP) (2020)	3.4%
Net ODA received (% of GNI) (2019)	6.6%
Remittances received (% of GDP) (2020)	2.3%
Economic Freedom Index <sup>ii</sup> (Rank among 186 countries)	174
Poverty indicators	
GDP per capita (USD) (2020)	486.4
Gini Index (0= equality 100= inequality) (2014)	34.2
International poverty rate (2014; at 1.90 USD/day)	12.2%
National poverty rate (2009)	46.5%
National rural poverty headcount rate (2011)	\$1.90 per day

**Partner financial institution/s**

The partner financial institution of this project is [Ebdaa Bank for Microfinance](#), which is a part of the Arab Gulf Development Fund (AGFUND) network of banks aimed at serving the poor and empowering women in line with the following vision and mission:

- **Vision:** To become a sustainable finance organisation that applies the best international practices in the microfinance industry.
- **Mission:** Supporting small business entrepreneurs, particularly women, by improving the social and economic status of the low-income population through the provision of sustainable financial and non-financial services that meet their needs.
- **Goals:** Providing sustainable financial and non-financial services to increase the economic, investment, and employment opportunities for the targeted groups. Outreach in urban and rural areas through its network of branches, and partnerships. Upgrading clients from microenterprises to small and medium enterprises.



*Ebdaa Bank has 21 network branches spread across 11 states in Sudan.*

Ebdaa Bank for Microfinance was established through a partnership agreement between AGFUND, the Islamic Development Bank (IDB), Jeddah, the Commercial Farmer Bank, the Export Development Bank, the Sudanese Company for the Development of Microfinance, and Sudanese and Arab private shareholders with a capital of 5,000 and is registered as a private company.

On the supply-side, partnerships were built with three insurance companies, [United Insurance Company](#), [Sheikan Insurance Company](#) and the **Middle East Insurance company**, which joined the pool during the second year of the project and supported not only by underwriting the risk but also through their network of farmers. In addition to capacity-building offered to Middle East Insurance staff on the product specifications and parameters, Syngenta Foundation also provided support in the following broad categories:

- **Data:** Arc 2 design of the actual insurance products.
- **Distribution:** Training, onboarding of sales team, product promotion and after sales review.
- **Delivery:** Underwriting structure of weather index, claim calculation and interpretation.

**2. INTERVENTION APPROACH**

**Capacity-building needs**

The need for this intervention was necessitated by a visit to Sudan by a team from SFSA in December 2018 as part of the pre-feasibility studies, where SFSA identified key potential partners. The team realised that Ebdaa Bank for Microfinance serves about 90,000 customers and had been offering agricultural lending to nearly 60,000 smallholder farmers, of whom 35,000 are active each year (while 25,000 farmers are active per season). Therefore, Ebdaa Bank was instantly identified as a potential distributor of credit-linked insurance. The team also met with the Central Bank and established that Microfinance Institutions can distribute microinsurance without requiring any additional licenses. This pre-feasibility study indicated a huge potential for agriculture insurance and the need for an innovative solution, culminating in this SCBF-funded intervention.

**Key up-scaling constraints**

The major constraint in upscaling has been the rising inflation which averaged 359.09% in 2021, up from 163.26% in 2020. This led to lack of funds for Ebdaa to advance credit to farmers and thus lowered the anticipated outreach.

The continued and rising political instability in Sudan affected the project activities in many ways and directly contributed to the low outreach levels. The political situation provides a difficult environment to traverse and has been a major contributor to the rising inflation rates.

The COVID-19 pandemic also brought on many challenges in execution and delivery of the project milestones due to the restrictions in movement, which not only affected international travel but also local movement and slowed down sales activities while making it difficult to secure new partnerships, especially from the demand side.

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

The substantive aim of the project was to run commercial programmes for Sharia-compliant innovative index insurance solutions that would aid in increasing climate resilience and financial inclusion. Additionally, there was a need to identify and establish a partnership framework with public and private players in the agricultural value chain, developing commercially sustainable distribution channels and collaborative market-building to ensure project continuity.

The project targeted three crop value chains (sorghum, sesame and groundnut) in six states in Sudan.

The successful execution of the project is attributed to the following initiatives:

- **Market research and co-creation workshop:** A market research was conducted to identify the risks that farmers face, their needs and their willingness and readiness to pay for an insurance solution. This was then followed by rapid prototyping through a co-creation workshop in Khartoum. The prototypes were then designed, validated by farmers and piloted from June 2020.
- **Technology adaptation:** During the second year of the project, the team leveraged technology (the Resilience Engine and Resilience App) to optimise the client facing processes and building well-functioning business processes to ensure operational efficiency. This technology intervention was used for actuarial pricing, client onboarding and automating claims management.
- **Continuous capacity building of staff from partner institutions:** 294 staff were trained both from the demand- and supply-sides.
- **Financial education and awareness creation to increase uptake of insurance:** 12,000 smallholder farmers were directly trained in 2021 through a network of 31 ToT trainers and 122 village champions.

**Notable Result:** 1,930 farmers were covered with insurance in 2020 and 8,275 in 2021, with a retention rate of 54%. In total, 9,151 unique farmers (including 2,539 women) accessed insurance through this project.

**3. RESULTS ACHIEVED AND NOT ACHIEVED**

**Client-level**

A mid-impact survey highlighted that the client experience on the overall product, access and cost was positive. The following testimonials were received both from the supply-side partners and the farmers.



“My name is Musa Ibrahim Omar Tahir from Gaddarif State. I took a loan for planting 12 acres of sorghum crops with a new agricultural insurance. I succeeded by 50%. The insurance agents visited the land and took GPS coordinates, submitted to Syngenta for compensation, now I will use my pay-out to pay all debts and prepare well for next season. The weather index insurance has allowed me to benefit from insurance services.”



“My name is Fatimah Adam from West Kordofan state, Al-Fula city. I took finance with the new agriculture insurance from the Ebdaa Bank for planting 5 acres. Thanks to God, I succeeded with a bountiful crop. I can pay back the credit and save the rest for next season. I would like to increase the cultivated area, due to the availability of insurance and their willingness to pay compensation immediately.  
By promoting crop insurance, Syngenta with Ebdaa Bank are increasing the resilience of farmers to withstand climatic change, encouraging them to diversify their livelihoods and giving them the confidence, they need to increase productivity.”

This intervention is not only seen as valuable to the farmers but also our partners. United Insurance Company, one of the partners since the ideation phase, acknowledged that index-based agricultural insurance can be one of the most effective tools to mitigate the risks of natural adversities causing financial damages to farmers while pushing them towards a constant of loop financial burden and lower incomes. If the farmers’ needs and concerns are heard, and their financial resilience can be guaranteed, then food security and other sustainable development goals reliant on sustainable food systems can be achieved. This has the potential to also ensure the economic development and growth of the country.

### Partner financial institution-level

Overall, the clients were satisfied with the products based on a survey SFSA ran through the financial education campaigns. Clients indicated that they would take up insurance again and that they were happy with the intervention. This was also highlighted with the high growth ratio witnessed during the second year of the pilot, as the client retention rate was 54.61%. The following indicators summarise the outreach:

Indicator	Outreach
Insurance products	4 index insurance products offered were for the sesame, groundnut, and sorghum crops (2-75 day and 90-day varieties).
Total number of active insurance clients	1930 farmers (incl. 455 women) were insured in 2020 and 8,275 farmers (incl. 2,467 women) were insured in 2021, of which 4,000 were insured through the Middle East Insurance Company and 4,275 through Ebdaa, with a retention rate of 54%. Total new farmers reached in 2021: 7,221 (2,084 of whom are women), of these 3,221 are through Ebdaa Bank and 4,000 through Middle East Insurance.
Total number of policies	The number of insured policies were 88 in 2020 and 15 in 2021. The policies were issued at the branch-level in groups.
Total gross premium (earned)	The gross premium was 1,610.063.89 SDG in 2020 and 15,362,872.7 SDG in 2021.
Total sum insured	Total sum insured was 25,779,308.41 SDG in 2020 and 216,152,562.62 SDG in 2021.
Growth ratio	352%
Incurred (and reserved) claims ratio	12.8% in 2020 and 180% in 2021
Promptness of claim settlement	The claims process is slow and takes an average time of 90 days

**Financial sector-level**

Through our efforts on policy advocacy in Sudan, we found out that, agriculture insurance was introduced in 2002 by Sheikan Insurance and over the years, other insurance companies have joined the market with a total of five companies offering insurance. Before the intervention, there were no index-insurance products in the market. The pilot started with two insurance companies and through the capacity- and partnership-building efforts, SFSA was able to onboard a new insurance company. The rate of agriculture insurance penetration in Sudan is below 1% and this is mostly attributed to the lack of awareness, which the project contributed to addressing through Financial Education campaigns as well as reducing the unaffordability of insurance premium. The project noted a need for government intervention to subsidise insurance. While this could not be address through the project, SFSA had consultative meetings with the Regulator and the Central Bank of Sudan in an effort to understand the financial sector market and advise on the regulatory changes required, based off of learnings from countries where index insurance has been successful. The policy advocacy report is underway, and SFSA should be able to share the learnings and recommendations soon.



*Typical operational Ebdaa branch*

**4. LESSONS LEARNT**

To ensure the successful and effective implementation of the intervention, this project employed a **client-centric product development approach** in the **product design sprint**. This initiative has been impactful with an expansion of the product offering, establishment of new partnerships, use of technology, and outreach to farmers. The crop insurance products were tailored to cover different short- and long-term crop varieties, mainly sorghum, sesame and groundnut. During the second pilot, on the supply-side, the Middle East Insurance company joined the pool of United and Sheikan insurance companies in offering underwriting capacity. The Resilience Engine (an InsurTech platform) was launched in Sudan, allowing access to all four products in a marketplace platform, which entailed the development and deployment of a mobile application, the Resilience App, to easily onboard farmers in real-time. The collaborative effort on insurance distribution, partnership expansion, and use of technology enabled growing the number of insured farmers from 1,930 in 2020 to 8,275 during the 2021 pilot season.

The project also experienced a number of implementation challenges which are highlighted below:

1. **Political instability:** The rise in political instability in Sudan led to the destabilisation of project activities due protests, internet blackout and a near hostile environment preventing the efficient delivery of project activities.
2. **High inflation rates:** Sudan's Headline Inflation rate averaged 359.09% in 2021, up from 163.26% in 2020 and as a result, Ebdaa Bank did not have enough money to finance farmers. As the product offering was entirely based on bundling insurance with credit, this made it difficult to reach the number of farmers initially targeted.
3. **The COVID-19 pandemic:** The pandemic brought about many challenges in project execution and delivery due to movement restrictions which not only affected international travel but also local movement. This slowed down sales activities, and also made it difficult to secure new partnerships, especially on the demand-side

Throughout the project period, the team discovered that Sudan has a huge potential for agriculture insurance. What could have done differently or rather, what could work going forward, is onboarding more demand-side players to maximise outreach to more farmers. The project would have benefitted even more if it had considered not only a credit-linked solution but also an input-linked solution, as well as providing climate-smart and resilient agriculture (CSRA) packages for the vulnerable smallholder farmers.

## Recommendations for other similar interventions

This initiative not only involved working with multiple stakeholders but also working with colleagues from a multi-faceted cultural background and some of the critical success factors and recommendations include:

1. Defining a clear **implementation plan** that includes people and activities with clearly defined goals and roles.
2. Clearly understanding and effectively managing the **project scope**, including understanding which activities come first and in what order can ensure meeting the targets and deliverables on time.
3. Cultivating **constant and effective communication**: This was crucial especially in the wake of the COVID-19 pandemic, which came with travel restrictions for the experts based in Nairobi.
4. **Managing risks**: The team had identified some risks at the project planning phase, for instance inflation, but did not account for all possible risks. Therefore, others are advised to invest time in identifying as many risks as possible before the project starts, as well as strategies to mitigate them later on.
5. Overall, having an **experienced project team** ensured successful delivery of the project.

## 5. CONCLUSION

Based on the lessons, we have structured a Large-Scale Proposal (LSP) to support with project expansion to cover 110,000 smallholder farmers by the end of 2025. SFSA is in the process of inviting donor partners to support this initiative, with the first draft proposal already submitted to the InsuResilience Solution Fund (ISF). In the short-term, SFSA has also committed an additional investment of US\$ 40,000 to support the implementation in the 2022 agricultural season as we work on unlocking resources for the LSP.

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