

2023-03 | Improving smallholder farmers access to improved, farmer-centered insurance products, Malawi & Nigeria

Financial sector partner (FSP)	One Acre Fund	SCBF contribution	CHF 92,500 (18%)
TA provider	International Research Institute for Climate and Society	Matching contribution	CHF 250,139 (49%) - FSP CHF 166,974 (33%) – Third party
Country	Malawi & Nigeria	Theme	Financial Resilience
Duration	Jul 2023 – Jun 2025	Product	Hybrid Index-based Insurance
Potential outreach	256,500	Target group	Smallholder farmers
Thereof women	67%		

CONTEXT

There exists a structural market failure in the African insurance sector – as it was not designed to cater to poor, smallholder farmers. Unlike in the US or Europe, government subsidies or guarantees mostly do not exist, and smallholder farmers can be perceived as risky bets, which in turn makes coverage quite expensive.

This project would help us make insurance a more effective tool to de-risk farmer investments and therefore encourage smallholders to build credit. This would in effect increase the financial inclusion of rural, low-income communities. This would create ripple effects sector wide, as improving our insurance product could prod other insurers to view smallholder farmers as a viable market or encourage them to improve their existing farmer-facing/client-centred products.

CURRENT STATUS OF THE FSP

One Acre Fund is pioneering a powerful solution to rural hunger and poverty by transforming the dominant livelihood of the world’s poor: smallholder agriculture. In pursuit of a holistic, long-term solution, we offer a complete bundle of services: (1) Provision of quality farm products on credit, which farmers repay over the full growing season; (2) Distribution through home deliveries or through our rural retail network; (3) Farmer training on the latest climate-smart agricultural practices and financial and digital inclusion; and (4) Post-harvest support to maximise farmer profits on harvest surplus.

Registered as a 501c3 non-profit organisation, we divided our operations into (1) revenue-generating functions, such as our core field program or our growing network of rural retail shops, and (2) non-revenue-generating functions (e.g., R&D investments; government partnerships; support department costs). One Acre Fund's revenue is a combination of earned revenue via farmer payment and grant revenue.

One Acre Fund currently does not have enough in-house expertise to expand our insurance products and delivery to full scale potential. SBCF’s support in bringing on a remote sensing consultant is therefore pivotal to achieving our ambitious goals.

OBJECTIVES AND MAIN ACTIVITIES

This funding presents a pivotal opportunity for One Acre Fund to tackle challenges of the African insurance markets and improve insurance outcomes for farmers in Nigeria and Malawi. We will do this by partnering with International Research Institute for Climate and Society, an external remote sensing, modelling, and research consultant to develop tools to dramatically improve the accuracy and value of our insurance products and deliver better customer service to farmers in Malawi and Nigeria. The scope of this consultancy would include initial research on climate shocks, crop modelling and performance strategies, and the development of indexes that utilise key data and mitigate multiple types of agricultural risk.

Upon project completion, One Acre Fund should be in a position to scale our insurance products to reach a total of 121,000 farmers in 2023-24 and 135,500 farmers in 2024-25 across Malawi and Nigeria.

Partnering with:

