Analysis to Action:
An Executive Education Program on Disaster Risk Finance in Africa

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Stellenbosch University
Index-Based Insurance for West Africa: Smart Agriculture Towards Food Security

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Objectives

• Illustrate how index-based insurance can be used to address the insurance market failure for smallholder farmers

• Illustrate the secondary benefits of insurance policies for farmers, i.e. holistic approach to addressing multiple agricultural problems such as access to agricultural inputs and markets

• Illustrate how index insurance can be used to minimize disaster risk financing pressure off governments

• Highlight the role of public – private partnerships in index-based insurance to address both supply-side and demand-side constraints
Take-up

• Awareness

• Bundling with existing agri-vet service providers – holistic approach
  • MFIs
  • Agribusinesses (Seeds & fertilizer providers)

• Delivery mechanisms

• Gov’t support on premiums through subsidies
  • Clear exit strategy
Basis Risk

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<th>Quadrant 1:</th>
<th>Quadrant 2:</th>
<th>Quadrant 3:</th>
<th>Quadrant 4:</th>
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<td>No Basis Risk</td>
<td>Perverse Upside Basis Risk</td>
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<td>High Cost Adverse Basis Risk</td>
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Data

Quality (velocity)

Cost

Low

High

Low

High

Census data, Public

Satellite imagery data??

Area crop yield??

Basis risk

Quality
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<tr>
<th></th>
<th>Farmers</th>
<th>Private Sector</th>
<th>Government</th>
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<td>Take-up/ Scale</td>
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<tr>
<td>Data</td>
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<td>Sustainability</td>
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