

Institutional arrangements for agriculture insurance

## DRF for Agriculture and Climate Resilient Livelihoods

Session 13

**Co-insurance pool: Uganda Agriculture Insurance Scheme (UAIS)**



**Disaster Risk Financing  
& Insurance Program**



SUPPORTED BY

**WORLD BANK GROUP**

# Challenges faced by smallholder farmers in Uganda



## CHALLENGE/ PROBLEM

Small scale farmers in Uganda continue to face challenges to access Agriculture Credit due to:

- High interest rates on agriculture loans
- Volatility of prices of agricultural commodities
- Digital exclusion and lack of awareness of about affordable financial services
- Credit delivery to agriculture sector continues to be inadequate
- Lack of collateral to access agricultural credit from FIs



## SOLUTION / INTERVENTION

To de-risk and facilitate credit access for smallholders:

- FIs to view it as a safe and viable haven to disburse finances and expect high return on investment
- A Public Private Partnership (PPP) with Government in agricultural insurance to improve the financial performance of Government-sponsored agricultural insurance programs
- Loss ratios seem to be lower when programs are managed by the private sector, with support from the Government through PPPs

### UAIS

Established in July 2016

*PPP with stakeholders across;*



Government



Insurance Sector



Financial Institutions

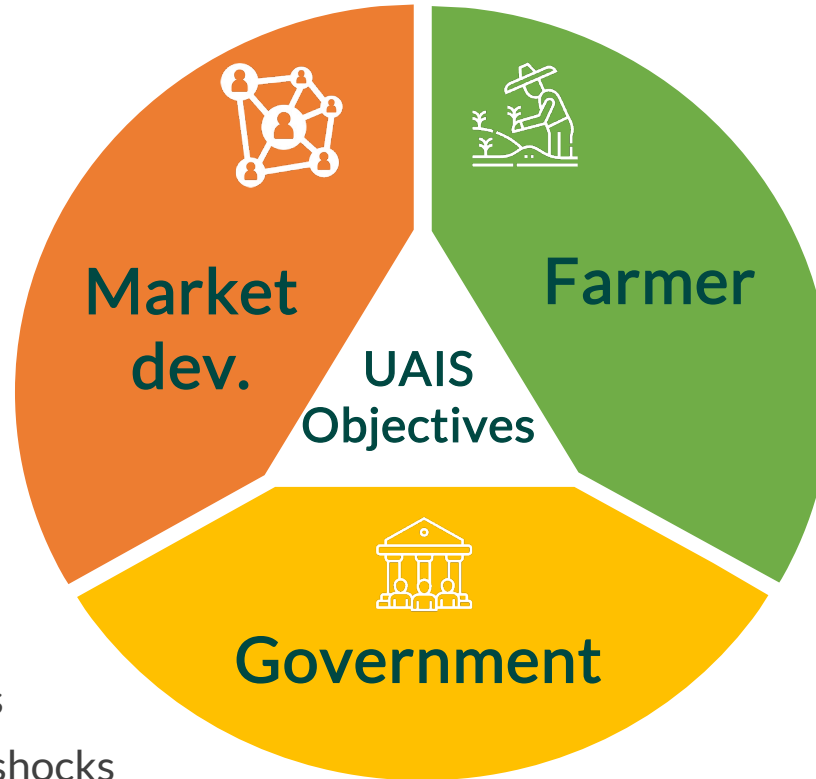


Farmers

# Scheme objectives

Insurance rightly perceived not only as a protection and risk management mechanism, which pays out when a catastrophe occurs, but more as a partnership that allows individuals, businesses and other entities (Public inclusive) to spread their wings and go where they might otherwise not have dared to go.

- Market stability
- Stabilizing rural economy
- Social welfare



- Risk mitigation
- Financial security
- Investment & productivity
- Climate resilience
- Credit access

- Government savings
- Resilience to global shocks

# Scheme objectives – Farmers

## Risk Management

Agriculture is highly susceptible to various risks, including adverse weather events (such as droughts, floods, and storms), pests, diseases, and market price fluctuations. Insurance schemes provide a safety net for farmers, helping them recover financially in case of disaster

## Financial Protection

Farming is the primary source of income for rural communities a significant loss can lead to financial distress and poverty. Agriculture insurance provides a financial cushion that helps farmers maintain their livelihoods and continue farming in the face of adversity

## Investment & Productivity

Insurance coverage reduces the fear of catastrophic losses, which can encourage farmers to invest in modern farming practices, improved seeds, fertilizers, and technology, enhancing agricultural productivity and food security

## Climate Resilience

Climate change is increasing the frequency and severity of extreme weather events, making agriculture even riskier. The UAIS promotes climate resilience by providing farmers with the means to adapt to changing climate conditions

## Credit Access

Lenders are more likely to provide credit to farmers who have insurance coverage because it reduces the risk associated with lending, facilitating capital to expand and modernize their farms

# Scheme objectives – Agriculture insurance market development

## Stabilizing Rural Economies

A stable agricultural sector is essential for the overall stability of rural economies. When farmers have insurance coverage, it helps prevent economic shocks caused by agricultural disasters, which can have a ripple effect on related industries and rural communities

## Market Stability

Agriculture insurance stabilizes commodity markets by ensuring a consistent supply of agricultural products. When farmers have protection against losses, they are more likely to continue producing even during challenging times, helping maintain market stability

## Social Welfare

Agriculture insurance helps protect vulnerable populations, including small-scale and subsistence farmers, who are often the most affected by agricultural risks. This contributes to social welfare by reducing poverty and food insecurity

# Scheme objectives – Government

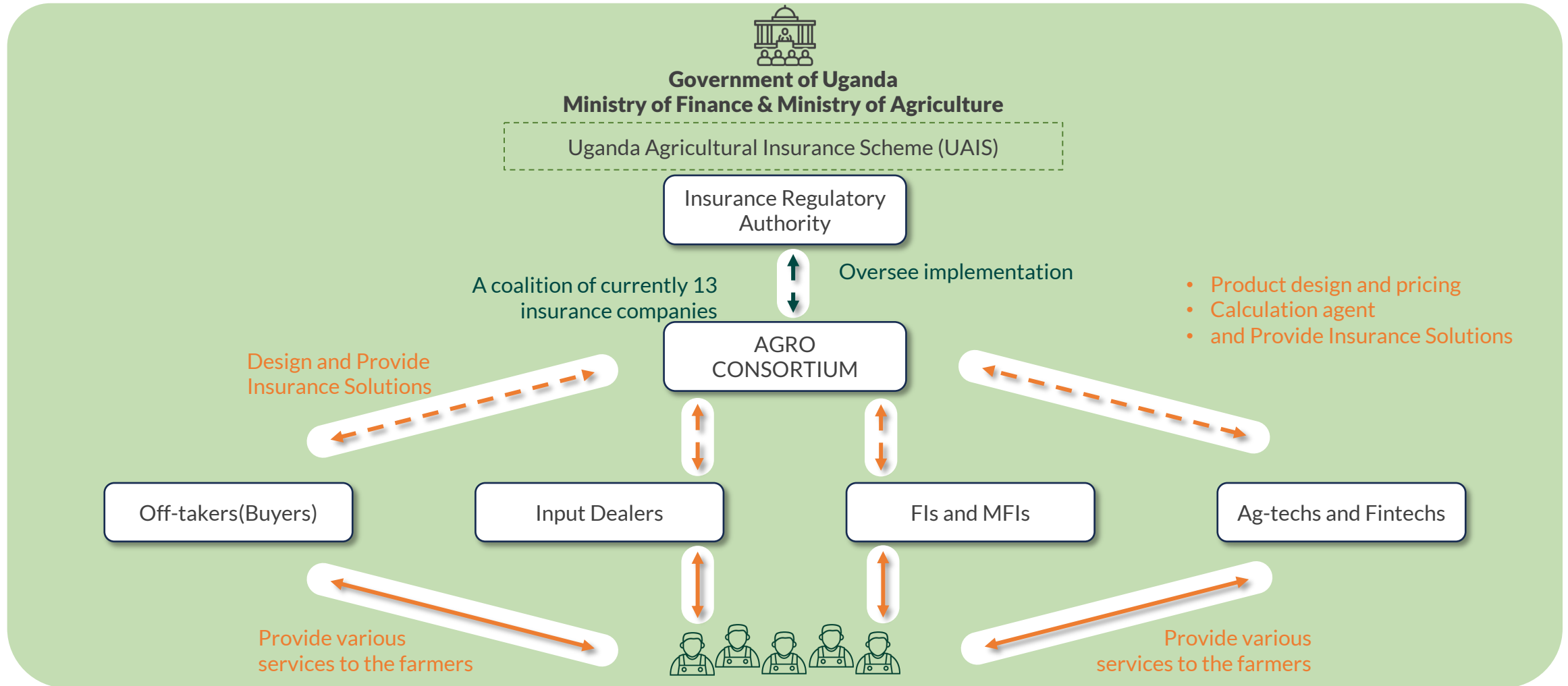
## Government Savings

Government support programs for disaster relief are expensive. By encouraging farmers to participate in the UAIS, The GOU can reduce the financial burden of disaster response and reallocate resources to other essential services

## Resilience to Global Shocks

In an increasingly interconnected world, disruptions in one region's food production can have global repercussions. Agriculture insurance enhances resilience to global shocks by helping maintain agricultural stability

# Stakeholder interaction diagram



# Roles of institutions under the scheme



## Government

- Premium subsidy (UGX5 million per year)
- Policy framework including subsidy framework (30%, 50% and 80% for large scale, small-scale farmers, or in disaster-prone areas, respectively) and range of crops covered
- Risk Assessment and Management
- Subsidies and Financial Support
- Data Collection and Sharing
- Crisis Response and Disaster Management
- Education and Awareness



## Insurance Regulatory Authority

- Market Oversight and Regulation
- Consumer Protection
- Evaluation and Adjustment
- Verification of Subsidy Claims
- Products Approval
- Capacity Building
- Consumer Education



## AGRO CONSORTIUM

- UAIS Administrator
- Risk Assessment and Management
- Product design and pricing
- Manage calculation agent (eLEAF)
- Manage reinsurance placement
- Farmer Awareness and Education
- Quarterly Reporting



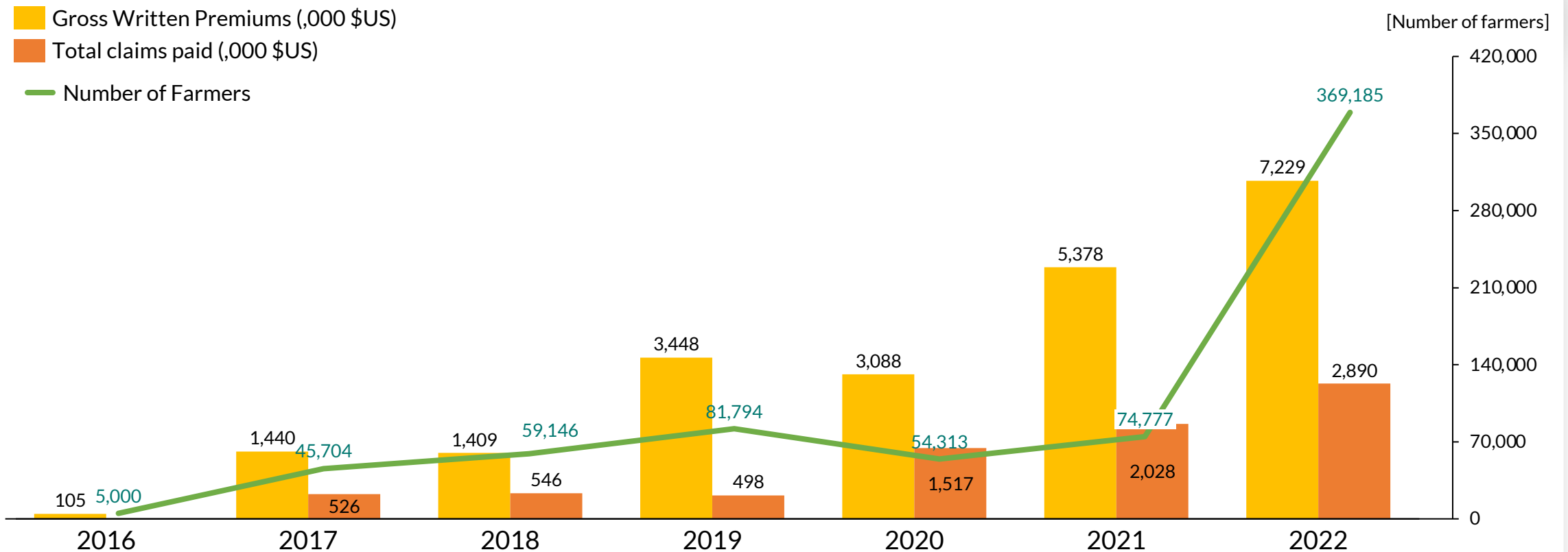
## Financial Institutions

- Advancing agricultural loans to insured farmers
- Direct distribution – farmer interface in their Cooperatives, SACCOs, VSLAs etc.
- Indirect distribution enhancement – insuring loans disbursed purposely for agricultural production, insurance branch networks, and broking fraternities
- Farmers on-boarding a long with sales
- Training and consultation in capacity building



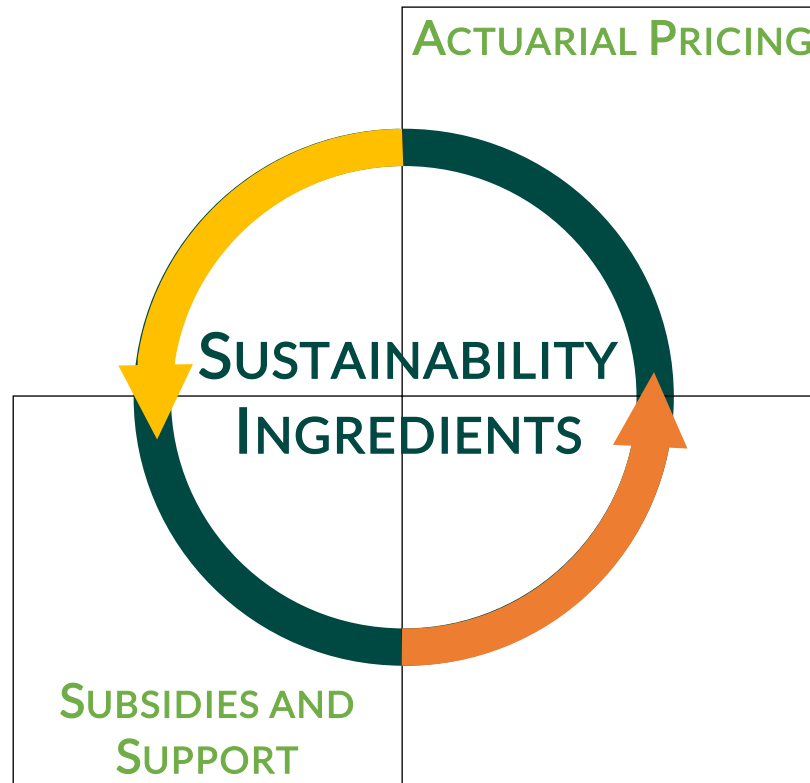
# UAIS has increased insurance coverage and enhanced lending to farmers

## INSURANCE UPTAKE PERFORMANCE



# Financial and technical support and accurate pricing are the key components of sustainability

- Capacity Building
- Technology Integration
- Flexibility and Innovation
- Political Stability
- Public Awareness



- Risk Assessment and Monitoring
- Diversification of Risks
- Reinsurance and Risk Transfer
- Public Private Partnership

# Challenges and next steps



## Challenges

- To further improve the IT infrastructure to enable an efficient and effective outreach to the farmers so far, not reached by the existing scheme
- The sensitization activities are very expensive
- During bad seasons, the Reinsurer ran away in the next season
- Due to the increasing demand, the Premium subsidy is inadequate now



## Next steps

- Seek for Donor support
- Engage the government to enhance the premium subsidy

# THANK YOU

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## Q&A