Session 13:

Zambia – Farmer Input Support Program (FISP)
Zambia is implementing Farmer Input Support Program to facilitate access to agricultural inputs and enhance productivity

**Program**

The Ministry is implementing a subsidy program - the Farmer Input Support Program (FISP)

A mode of providing finance in form of agricultural inputs which is matched with a contribution from the beneficiary farmers

**Vision**

Aimed at facilitating enhanced access to affordable inputs to boost production and ensure both household and national food security

**Beneficiary/Scope**

Currently, One million farmers have access to this Government Facility (subsidy)

**Climate Smart component**

Making the subsidy program climate-smart, Cabinet Office added a component in 2017

To introduce the mandatory Crop Index Insurance for all FISP beneficiaries

To work towards this end, K100 (US$5) from the K400 (US$ 20) farmer contribution was directed towards paying for the Crop Insurance Premium.
The introduction of the Weather Index insurance on FISP is in line with Objective no 5 in Zambia’s Second National Agricultural Policy (2016) (which states):

- This is ‘To promote availability and accessibility to agricultural finance credit facilities and insurance’
- Hence, index insurance initiative is one of the measures towards the promotion of agricultural insurance, aimed at contributing to the achievement of Zambia’s Second National Agricultural Policy (2016), and Financial inclusion
The lives of smallholder farmers are adversely affected by unpredictable weather

**Suboptimal Yields**
- Maize Yields in Zambia: 2 MT/Ha
- Maize Yields in USA: 11 MT/Ha

**Due to climate change**
- “Agriculture is highly Risky”
- 2023/24: out of 2.2m Ha, 1m Ha est. to be damaged – dry spell.

**Conventional insurance**
- Expensive & Unavailable in rural areas - Risk remains with the farmer

**Implications:**

**The Real World Crises**
- Food Crises and Famine
- Poverty & Income
Challenges faced by smallholder farmers in Zambia-FISP Insurance

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<thead>
<tr>
<th><strong>Challenge/Problem</strong></th>
<th><strong>Recommendations</strong></th>
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<tr>
<td>Delayed distribution of inputs – <strong>affecting planting &amp; yields</strong></td>
<td>More <strong>coordination</strong> and <strong>involvement</strong> of the private sector – improve efficiency</td>
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<td>Payouts <strong>not timely and sufficient to mitigate</strong> risks</td>
<td>Leverage <strong>digital payment platforms</strong> &amp; tailor products to zones</td>
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<td>Sometimes, the compensation is <strong>not worth the value of traveling long distances to redeem</strong> as they incur more on transport than the value of compensation to redeem the inputs</td>
<td><strong>Involve private sector and leverage existing channels</strong></td>
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<td>Farmers not <strong>given a sufficient range of inputs</strong> (seed) to match with zones</td>
<td><strong>Improve collaboration</strong> with the private sector to provide the right inputs for zones</td>
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<td>Poor <strong>mobile connectivity</strong> in rural areas prevents access</td>
<td><strong>Sensitization</strong> meetings at various levels</td>
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<td>Farmers dispose off – <strong>mobile phones after registration</strong> - challenges to receive payouts</td>
<td><strong>Enhance extension services</strong> to promote sustainable farming methods</td>
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<td>Limited awareness among farmers</td>
<td><strong>Increase awareness campaigns</strong></td>
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There are gaps in the insurance value chain that have kept adoption of agriculture insurance at low levels.

**Farmer**
Needs insurance but has limited interest in buying themselves.

**Investors & lenders**
Unable to find the right, affordable insurance products in the market to de-risk their investment.

**Governments**
Have limited experience with agric insurance and often struggle to set efficient policies.

**Development partners & NGOs**
Have limited experience with agric insurance and don’t include in their program design.

**Input providers & traders**
Exposed to risks of the farmers but can’t find suitable insurance products to de-risk.

**Insurers**
Lack technical capacity to design agric insurance products and lack global scale to diversify risk.

**Reinsurers**
Lack in-country knowledge of agriculture markets and lack of efficient distribution.

**Demand Side Gap**

**Supply Side Gap**
Risk Mitigation & Financing Arrangements for DRF&I

**Agriculture Insurance Arrangements**

1. **Fully Intervened Public Sector Systems**
   - Interventions by DMMU

2. **Public Private Partnership**
   - Efficiency, Technical support from NGO’s co-operating partners, Insurance Risk Pool, shared costs, scale i.e., FISP - 1,024,434 farmers

3. **Purely Private Sector System**
   - Challenge – Low Penetration & Scale, Technical capacity to underwrite, pricing, costs, no fiscal cost, etc.

**Arrangements for Agric. Insurance at a Glance**

- **1. Fully Intervened Public Sector Systems**
  - Interventions by DMMU

- **2. Public Private Partnership**
  - Efficiency, Technical support from NGO’s co-operating partners, Insurance Risk Pool, shared costs, scale i.e., FISP - 1,024,434 farmers

- **3. Purely Private Sector System**
  - Challenge – Low Penetration & Scale, Technical capacity to underwrite, pricing, costs, no fiscal cost, etc.

Source: World Bank, adapted from Iturrioz (2010)
Institutional Arrangements Disaster Risk Finance & Insurance (PPP)

Government/ Policy Coordination & Implementation
- Ministry of Agriculture
- Ministry of Finance & National Planning
- Ministry of Livestock & Fisheries
- Office of the Vice President - DMMU (ARC)
- Technical Advisory Group (TAG) (Representation)

Private Sector FISP Insurance
- Mayfair Insurance Co. Ltd
- ZSIC General Insurance Co. Ltd
- Professional Insurance Co. Ltd
- Hollard Zambia Ltd.
- Madison General Insurance Ltd.

Private Sector driven solutions to mitigate climate Disasters. Key features covered?
- Drought, Dry spells, Excess rainfall, Pests, diseases. Risk Pools/ Consortium to Cover FISP
- Mobile Network Providers: e-Voucher system ZIAMIS | procurement of Inputs – secure & efficient
- Limitations – Participation of Private sector & - Connectivity 89.7% (2021) access to Mobile

Technical Support (Private, NGO & International Agencies)
- ACRE AFRICA/ ZEP-Re
- PULA Advisory
- Risk Shield Consultants Ltd.
  | Design, Pricing | Actuarial services | Capacity building | Consumer awareness | Technical advisory & reinsurance | claims management | data capture & Analysis |

Supported by International Agencies & NGO’s?
- World Food Program (WFP)
- GIZ
- Norwegian Government, EU & FAO
- WB, FIC
- USAID
- Financial Sector Deepening Zambia, (FSDZ)
Role of the Private Sector in FISP – Agric. Value Chain

1. Supply & Distribution of Inputs

- Seed Companies: Syngenta, Zamseed, Pannar Seed, Seed Co, etc. | Maize, Soybeans, groundnuts, rice, sunflower, sorghum etc.
- Fertilizer: in excess of 240,000 MT (D-Compd) supplied by the private Sector – more than 8 private companies (2023/24)
- Pesticides & Chemicals: timing
- Agro Dealers: Tail end of distribution - constant contact with smallholder farmers
- Private sector provides alternative financing & insurance to allow farmers access inputs

2. Promote Agriculture Diversification

- Provide unique seeds to Agro-ecological zones
- Private sector providing cotton seed & tobacco - later purchase the cotton & tobacco (out grower schemes)
- Provide linkages to the market for smallholder farmers

3. Provide Agric. Technical Support

- Sensitization of best seeds for regions conducted by seed companies
- Most efficient methods for application of fertilizers, pesticides – close collaboration with MoA and NGO’s to promote efficiency and productivity
Implementation of DRF&I Outcomes

**STRATEGIC PARTNERSHIPS**

- **FISP | 1,024,434 Farmers | Index & Yield |**
- **Risk Shield | 883,822 | Finance + Insurance |**
- **Food Security Park | 100,000 + | Index |**
- **Livestock | 5,000 (Pilot) | Index based Range |**
- **Livestock | 1,500 (Pilot) | Indemnity based |**
- **Apollo | 2,286 | Finance. Training. Sale | Index |**

**SUMMARY OF PAY-OUTS**

- **2020: $733,968 | # 58,432**
- **2021: $2.5m | #263,921**
- **2022: $3.9m | # 216,248**

- **Agora Microfinance, Syngenta Seed Co. Risk Shield, FSDZ, ACRE Africa, Mayfair**

- **MoCDSS, Pula, GIZ, WFP | ZSIC GI + Pool**

- **Int. Fund for Agric. Dev, MoFL, WFP, Pula | PICZ + Pool**

- **World Vision, Cellulant + MTN, Dairy Association of Zambia, FSDZ, Mayfair**

- **AAG Farm Services/ Apollo Agric. Pula, PICZ**

Input Bundled with financing (Insurance &/ Micro financing)
Challenges faced by Insurers/ Private Sector in DRF&I

**FISP Pain points**
- **Data Gaps:** Historical data gaps for assessing risk & late submission of data, farmer information
- **Late payment/ transmission of premium:** Impact on reinsurance placements & claim settlement.
- **Awareness & sensitization** costs challenges.
- **Technical capacity** constraints for accurate risk assessment
- **Inadequate** agric. extension services to educate farmers to improve yields/ Optimize output
- **Affordability & Accessibility** – a good number of eligible farmers still excluded | Insurance too expensive & inaccessible – Tangibility/benefits
- **Regulatory & Policy hurdles** - policy change & regulatory shifts may constrain growth.

**Suggested Solutions**
- **Multilayered** approach to resolve data gaps deficiencies & build data going forward,
- **Improve premium remittance or leverage the Private Sector MNO’s** to collect & settle claims – direct to farmers
- **Leverage digital systems, Agro dealers & cooperatives** to sensitize farmers & potential beneficiaries: **Aggregators** to drive inclusion & sustainability
- **Structured capacity building** - design of tailor-made index products to mitigate climate risks (IFC-ZEP-Re)
- **Enhance extension** services & support to address productivity/ yields
- **Enhance cross-sectoral collaboration**, enhance disaster risk & financing policies
- **Increase Private Sector** participation to improve efficiency and reduce costs – financing & Insurance solutions

Priorities in the next 3 to 5 years?

Reform FISP to the Comprehensive Agriculture Support Transformation Programme | Aim – Stimulate growth in the sector - graduation strategy & Alternative financing strategies, Increase private sector participation, promote diversification of Agric. products covered, target the right crop to right Agro economic zones, bundling of products for scale and targeting the most vulnerable, Consolidate policies aimed at DRF
Conclusion - FISP has been a major government-led intervention for Zambian smallholder farmers

- FISP has had considerable success in reaching farmers and helping them adopt high-quality seed and fertilizer, made affordable through subsidies
- **Strategic partnerships**, participation of the private sector is critical for mitigating climate disasters - PPP must be coordinated at a national level and supported
- The **bundling of insurance in the input package** has created an additional layer of security by compensating farmers in the event of yield losses due to climatic and biological threats to their farms

However, there is no scientifically validated, independent evaluation of impact of providing inputs bundled with insurance on productivity and farming behavior
Thank You

- Eswatini
- Ethiopia
- Kenya
- Lesotho
- Namibia
- Rwanda
- Somalia
- South Africa
- Uganda
- Zambia
- Zimbabwe