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Scaling Up Micro-insurance in Africa (SUM Africa)

Geodata for Agriculture and Water (G4AW) improves food security in developing countries by using satellite data. Netherlands Space Office (NSO) is executing this programme, commissioned by the Dutch Ministry of Foreign Affairs.

Climate change and recurring drought severely affects crop production in Sub-Saharan Africa, keeping farmers stuck in poverty. Insurance can play a key role in escaping this poverty trap. Insurance is also expected to unlock credit, allowing farmers to invest in better inputs and to increase production and income. Within SUM-Africa satellite-based information is used to provide low-cost drought insurance for smallholder farmers in Mali and Uganda. Drought index insurance products are based on Meteosat derived Relative Evapotranspiration (RE), which is proportional to crop growth and an excellent indicator of agricultural drought. Historical data is available for the entire African continent from 1982 to date and is used for risk assessment and insurance pricing. Near real-time satellite data reception and processing supports daily growing season monitoring and rapid loss assessment and pay-out

calculation. These index insurance services are delivered through a consortium of index provider, insurers, brokers and aggregators.

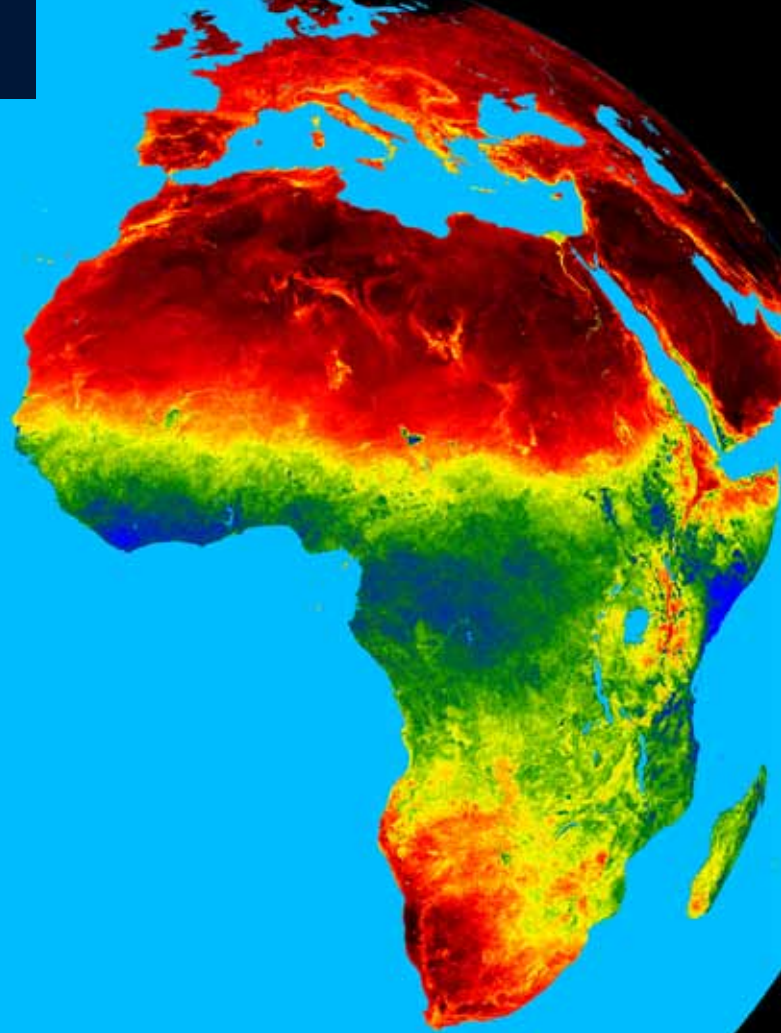
Target user group

The target group consists of 9 million smallholder farmers in Mali and Uganda. The objective is to serve 350,000 of these farmers within 4 years, and half a million within 6 years after the start of the project.

Business proposition

Agricultural insurance in Africa is virtually non-existent. Traditional indemnity based insurance is too expensive. Insurance based on weather indices is often considered a low-cost alternative, but there is an insufficient number of weather stations in Africa, while new ones lack the historical records required for risk assessment. Meteosat derived RE provides a good alternative, because 35 years of data is available at 3 km resolution for every location in Africa, while continuous monitoring happens in near real-time.

SUM Africa uses satellite-based information to provide low-cost index based insurance for smallholder farmers in Mali and Uganda.



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Therefore, this insurance allows for rapid scaling up to corresponding economies, enabling affordable coverage for small scale farmers. With highly automated satellite data processing and index product design, the business becomes financially sustainable after the project comes to an end. The G4AW subsidy covers a major part of the initial investment and reduces the financial risk considerably.

Partnership

The partnership has been established on the basis of R&D activities during the project FESA Micro-insurance (2009-2013), a millennium project of the Dutch Ministry of Foreign Affairs. The SUM-Africa consortium consists of the following partners:

- Agence Nationale de la Météorologie, Mali; providing reference data and advising farmers.
- Agriculture Reinsurance Consultants, Switzerland; insurance broker/adviser.
- Agro Consortium, Uganda; consortium of insurance companies with a focus on offering agricultural insurance.
- Coprocuma, Mali; farmer collective and financial service provider.
- EARS Earth Environment Monitoring BV, Netherlands; index insurance service provider.

- PlaNet Guarantee, France; insurance broker Mali
- Uganda National Union of Coffee agribusinesses and farm Enterprises; umbrella National coffee farmers' organization.
- Wageningen University and Research, Development Economics group: Monitoring and Evaluation, impact assessment.


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