Agriculture Insurance and Climate-Related Risk Assessment

Simulating Climate-Smart Agriculture Markets

SEED
promoting entrepreneurship for sustainable development

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

Background

Agriculture anchors Malawi's economy, accounting for a third of gross domestic product (GDP) and experiencing an annual growth rate of 6% on average. The sector is also responsible for the provision of jobs to around 80% of the population – particularly for women and youth (Benson et al., 2018). Eco-inclusive enterprises[1], highly concentrated in the agriculture sector, play a significant role in implementing strategies for economic growth, food security and social inclusion in Malawi. However, changing weather patterns resulting from climate change such as fluctuating temperatures, changing rain patterns and weather shocks can destroy expected returns from harvests and trap farmers and households in cycles of poverty. This is exacerbated due to high levels of dependency on rain-fed agriculture.

In Malawi, agribusinesses and smallholder farmers in particular remain highly vulnerable to climate change. Awareness levels of the impacts of climate change and potential adaptation strategies – such as climate smart agriculture (CSA) practices and investment in climate resilient agriculture inputs, technology and risk mitigation measures – remain low. Additionally, there are few attractive financial instruments available to protect these enterprises from such shocks and stimulate investment in climate-smart agriculture practices.

Solution Overview

Public-private sector coordination is required to address the challenges posed by climate change to small and growing enterprises in Malawi's agriculture sector. The policy instrument for **stimulating markets for climate-smart agriculture value chains** will build decentralised capacity building networks (supported by public and financial sector partners). This instrument aims to raise awareness and reduce the climate-related vulnerabilities of smallholder farmers and agribusinesses by developing and delivering risk management and adaptation solutions which are catered to these enterprises and the localised enterprise ecosystems in which they operate. The core activities proposed include:

Focus:	Climate Change Adaptation
Ecosystem Impact:	Access to Finance, Access to Markets
Lab Cycle:	Policy, Malawi 2019
Challenge Hosted by:	MicroInsurance Services Ltd.

Policy Relevance

This policy instrument and its solution for building decentralised networks for climate-smart agriculture across Malawi has key implications for sustainable development and climate change adaptation strategies, including for sector-specific agriculture policies. The instrument aims to:

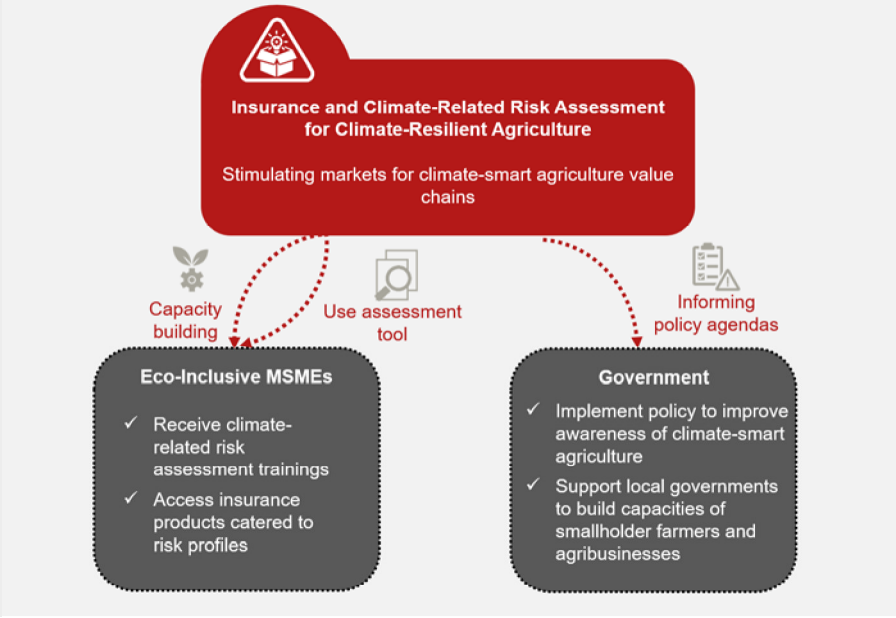
Inform policy agendas by collecting data and evidence through agricultural associations and municipal extension services on the uptake and barriers to investment in climate-smart practices.

Implement policy that increases awareness of and access to climate-smart solutions to meet growing demand for climate-resilient agriculture inputs (e.g. seeds and fertilisers) and technologies (e.g. irrigation systems) through decentralised capacity building networks.

Decentralised climate-smart agriculture and risk assessment campaigns, such as farmers' awareness field days and mass meetings, facilitated through agriculture associations and district agricultural extension officers to support smallholder farmers and agribusinesses in assessing and managing climate-related risks.

Capacity building trainings on potential climate-smart solutions including opportunities to invest in climate-smart inputs and measures to mitigate impacts of fluctuating weather patterns, such as weather index agriculture insurance designed by insurance providers in cooperation with participating agriculture associations.

[1] Eco-inclusive enterprises are micro-, small- and medium-sized enterprises (MSMEs) that deliver combined environmental, social and economic benefits.



Key Features

This proposed solution engages agricultural associations, local government officials and financial actors (beginning with insurance providers) in facilitating the growth of community-based networks for climate-smart agriculture value chains. The policy instrument is operationalised in a multi-step process:

1. **Awareness meetings** (either in person or through an association) where enterprises – through agricultural associations and municipal extension officers – are made aware of climate risks across value chains.

2. **Group risk assessment** offers more comprehensive analysis and data collection to determine major climate-related risks based on current agricultural practices and geographical characteristics.

3. **Climate-smart solution counselling** around tailored mechanisms for risk mitigation, including weather index insurance, and capacity building recommendations.

4. **Ongoing climate-smart capacity building support** is offered and financed, for example, through the reinvestment of insurance premiums in trainings and climate-smart inputs.

Benefits to Eco-Inclusive Entrepreneurship

This policy instrument enables smallholder farmers and agribusinesses across Malawi to:

Improve awareness of the benefits and increase uptake of climate-smart agriculture practices to improve productivity and sustainable business practices.

Invest in climate-smart practices and risk management mechanisms through decentralised markets for insurance solutions that reinvest insurance premiums in capacity building opportunities through agriculture associations, among other solutions that build climate-resilient value chains.

Role of Government

Government, from national to local levels, plays a central role in supporting the growth of climate-smart agriculture value chains. The success of this policy instrument's approach depends on:

Support of local governments and policy-makers who are already offering support to smallholder farmers and agribusinesses through agriculture input subsidies and other measures to ensure public sector support is aligned with climate-smart objectives.

Commitment to and mechanisms for utilising the information collected on the current status of climate-smart agriculture and uptake of solutions to guide future policy-making in line with Malawi's socially inclusive and environmentally sustainable development objectives.

Solution Developer

MicroInsurance

MicroInsurance Services Ltd.

Contact person: Gift Livata: gift.livata@microinsurance.mw

SEED Practitioner Labs Policy Prototyping work with policymakers, eco-inclusive enterprises and intermediaries over a multi-step collaborative process to design policy instruments which increase access to and improve the quality of support mechanisms for socially inclusive and environmentally sustainable enterprises looking to scale their environmental, social and economic impacts