



BURKINA FASO

BACKGROUND

Burkina Faso's economy is heavily reliant on agricultural production, with close to 80 percent of the active population employed in the sector. Cotton is the country's most important cash crop. Against this backdrop, index-based insurance solutions have been developed to protect smallholder farmers, in particular cotton growers and multicereal farmers.

PROJECT DESCRIPTION

In March 2016, PlaNet Guarantee (PG) entered into a contract with the World Bank Group to offer solid technical support to Global Index Insurance Facility (GIIF) projects that are focusing on capacity-building activities, with special emphasis on training and skills transfer to selected insurers.

The products currently offered with Allianz Burkina Faso are a multicereal satellite drought index distributed by local microfinance institutions (MFIs), and a cotton average-yield index dedicated to SOFITEX farmers. (SOFITEX is the national cotton company of Burkina Faso.)

RESULTS AND IMPACTS

In 2014, 7,500 SOFITEX contract farmers who had received input loans from Ecobank through their cooperatives were insured with a satellite index (for maize) and an area-yield index (for cotton). A 2011 PG study found that index-based crop insurance in Burkina Faso has had a positive impact on the amount of credit given, the amount of fertilizer purchased, the volume of production, and the added value. The amount of credit that farmers received once they had insurance was 170% more than they had received without insurance.

The variety of distribution channels that are supporting the pilot is the key to the project's success. (This includes MFIs, banks, and NGOs.) In addition to Swiss Re, another major international reinsurer, Hannover Re, carried the risk for PG. PG's Burkina Faso area-yield-based cotton product started in 2013. Hannover Re's entry into the market is a major development that indicates the growing viability of index insurance in the West African market

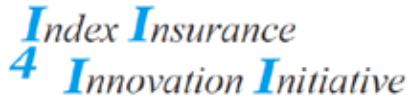
CHALLENGES & NEXT STEPS

The cotton value chain is highly structured, with the short-term financing needs of smallholder farmers met by the cotton companies. This sector offers a potential of 350,000 insurable smallholder farmers. The possibility of making the product mandatory for all SOFITEX farmers offers strong scaling-up possibilities. Regarding cereal products, targeting larger MFIs and examining mobile distribution are further pathways toward reaching scale.

PROJECT SNAPSHOT

Market Launch	2011
Clients	17,535 (end 2015)
Partners	Insurers: Allianz Reinsurers: Allianz Re, Africa Re, Cica Re Product design: PG (cereals), PG & I4 (cotton)
Capital Insured	\$1,333,510 (end 2015)
Insured Assets	Cereals, cotton
Insured Perils	Drought, decreased yield
Regulatory Environment	CIMA, Book 7 on Microinsurance
Data	Rainfall Estimate (RFE ARC 2) for multicereals index SOFITEX Average Yield data at GPC level for cotton index

PARTNER FOCUS



Partner Information

PlaNNet Guarantee's activities in Burkina-Faso started in 2010 through a partnership with Allianz Burkina Faso, the local subsidiary of Allianz Africa, which is aimed at developing and implementing a range of index-based insurance solutions called "Siiman Panga" (crop protection), and targeting cash-crop farmers.

The maize drought index was initially developed based on satellite-relative evapotranspiration data provided by METEOSAT, before being replaced by a multicereal drought index developed in-house by PG and based on rainfall estimate data. A cotton average-yield index was developed in 2012 in Mali before being adapted for SOFITEX (a national cotton company of Burkina Faso) farmers in Burkina Faso in 2013. PG works with I4, its technical partner, on product design for cotton.

PlaNNet Guarantee also provides technical assistance to various projects that are aiming at developing social-oriented crop insurance solutions for vulnerable farmers of cereal, horticultural products, and livestock value chains in the northern part of Burkina Faso.

Product available

Rainfall or satellite-based weather index insurance (for groundnuts, maize, millet, rice, sesame, generic), area-yield index insurance (for cotton)

Total Insurance Portfolio

78,856 insured farmers and US\$1,058,810 collected premiums in Senegal, Mali, Burkina Faso, Benin, and Ivory Coast.

Insurance Payouts

US\$412,656 in Senegal, Mali, Burkina Faso, and Benin (2015), with a 69% claims ratio (2015)

Average Cost of Insurance

11%, \$13 per farmer

Local insurance companies

CNAAS, Allianz Mali, Allianz Burkina Faso, AMAB Benin, AXA Côte d'Ivoire

International Reinsurers

Swiss Re, Africa Re, Cica Re, and Hannover Re

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About Global Index Insurance Facility

The Global Index Insurance Facility (GIIF) is a multi-donor trust fund that works to provide access to finance to smallholder farmers, microentrepreneurs, and microfinance institutions. GIIF supports the development and growth of local markets for indexed/catastrophic insurance in 31 developing countries, primarily in Sub-Saharan Africa, Latin America and the Caribbean, and Asia Pacific. The facility is part of the World Bank Group's Finance & Markets Global Practice.

For more information, please visit www.indexinsuranceforum.org.

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