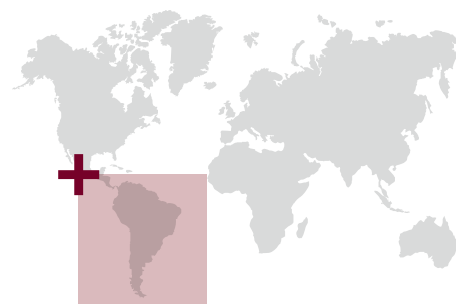


Vida Agrícola



AT A GLANCE

Name

Vida Agrícola

Duration

August 2010 – October 2013

Focus area

Bolivia

Target group

Small scale farmers in the department of Tarija in Bolivia

Funds available

Confidential

The project is jointly implemented by ...

Fundación Profin
Nacional Seguros

The core objective is ...

to provide a comprehensive risk management solution covering life, property, productive assets and agricultural crops to farmers.



BACKGROUND

Bolivia as one of the poorest countries in Latin America, scores 57.13% on the World Risk Index report (2016) based on its vulnerability to the impacts of climate change, particularly because of its geographic location, climatic diversity, tropical glaciers, poverty level, biodiversity and high level of deforestation (Oxfam, 2009; WorldRiskReport, 2012).

The Vida Agrícola product is linked with technical assistance for non-financial risk management. The project involved prospective clients to identify priorities and provide input during the design and scaling-up of the product.

A market study carried out by Fundación Profin (PROFIN) in 2011, to validate the designed insurance products and act as a baseline study to collect data on the situation of farmers in the first region of implementation - Tarija - found that the target market understands an agricultural only product better over a composite product (Agricultural – Life – Property), yet their general risk exposure and management needs involve a diversity of risks

APPROACH

Fundación Profin developed a comprehensive risk management solution for farmer populations in southern Bolivia. In this case a composite product with life, property and agricultural components was developed to be distributed through local financial institutions and cooperatives. Furthermore, the catalyzer role of Fundación Profin led to broker partnership with governments and other technical assistance organizations.

The Vida Agrícola project was implemented in three phases, each lasting one year. During the first year, PROFIN and its partner Nacional Vida/Latina Seguros designed the product, consolidated public-private partnerships with regional governments to confirm their participation in subsidizing part of the agricultural premium, selected distribution channels and partners, trained relevant stakeholders such as government institutions and distribution channels, and launched the promotional campaign.

During the second and third year, PROFIN and its partners implemented two pilots in the department of Tarija to test the partnerships with local institutions and operational model.



The project design, aimed at using the agricultural claims to eventually increase demand for the life and property covers. Subsequent surveys correlated the demand or willingness to pay for insurance based on the various agricultural loss experienced in the past.

Challenges

Government changes brought a high degree of instability in the decision making process, risking the support in terms of subsidies and leveraging of public institutions to reach out to farmers.

Internal conflict of interests within the public private partnerships affected the expected results.

There were low sales volume regardless of printed material as well as radio and TV broadcasting used as marketing instruments. Marketing and communication campaigns for this kind of products are season driven and need to be timed at the right moment to reach out to farmers when they are more sensitive to create a demand and increase understanding.

The launch of a public programme called *Seguro Agrícola de los 70 Municipios Más Pobres* (SAMEP) (Agricultural Insurance for the 70 poorest municipalities), by the Bolivian government presented a non commercial competition to the project and affected the planned expansion to other regions of Bolivia.

The financial institutions struggled to reach out to farmers in remote rural areas, partly because several hours of travel time required to the closest sales point. The seasonality of the product further requires extra capacity in very specific moments of the year in order to service the sales of the product and the education process to farmers.



OUTCOME

The project has demonstrated that there are factors which have impeded the success of Vida Agrícola – the structure of the distribution partnerships with microfinance institutions and cooperatives needed better incentives schemes and clearer definition of roles, the awareness raising campaigns had to be

better integrated into the activities of farmers, the loss assessment process needed to build more trust and the parameters adjusted. Furthermore the public private partnerships needed to support the implementation of agricultural insurance

LESSONS LEARNED

Initially consumers may perceive the premiums as high, however, personalized technical assistance and the ease to understand the insurance products resulted in purchase.

Trust and information are key factors in the planning of a commercialization strategy; lack of these can deter sales. Choosing the right moments to provide information and designing education campaigns that fully adapt to the knowledge and learning processes for low income farmers.

Smaller homogenous risk zones are perceived as fairer by farmers, while large homogenous risk zones can undermine the farmers' understanding, demand and confidence in index insurance products.

Ex gratia payments help strengthen the farmers' confidence in index insurance when the trigger doesn't occur but losses are observed in the field. Donor supports in this kind of situations can help to support programmes as the trigger levels and payouts are improved.

Political change is a factor to take into account into the design of a programme that involves government support. Risk analysis about different scenarios with the government should be implemented as the support from the government can change over time as administrations change. Integrating mechanisms that prevent these kind of changes to affect the roll out of the programme will become key to guarantee continuity.

Adequate training of partners at different management and operational levels are required. Training particularly at the operational level needs to be on a regular basis and constant awarenessraising campaigns are necessary for farmers to be able to grasp new concepts. This impact is enhanced by involving actors that are perceived as trustworthy in the target market.

Distribution channels for rural insurance products need to fulfill certain requirements, such as: an active rural portfolio, a network of branches within the area of intervention, administrative and institutional strength, institutional openness to deliver new products, common understanding about the impact of insurance for the clients.





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For more information on the project visit:

<http://www.impactinsurance.org/projects/lessons/vida-agr%C3%ADcola>

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