



PlaNNet Guarantee
PlaNNet Finance Group

One World to protect

TAMNEAC Research Area 2: Risk Management

**Household Risk
Management
through Crop
Insurance**



CONTENT

- **I. Presentation of PlaNet Guarantee**
- II. Presentation of PlaNet Finance Deutschland
- III. Microinsurance
- IV. Research approach



I. Presentation of PlaNet Guarantee

A social business

- Focused on the alleviation of poverty through the development of microinsurance
- Any profits must be reinvested in the business to further this social objective

2 business lines

- Research and Development
- Brokerage Activities

A link between insurers, reinsurers and delivery channels



Experienced in the field of crop insurance

- Large scale project in West Africa (Mali, Burkina Faso, Senegal, Benin and Ivory Coast) – 3 pilots developed: 2 satellite indexes for maize and 1 area yield index for cotton, feasibility study in Tajikistan, upcoming project in Kenya



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II. PRESENTATION OF PLANET FINANCE DEUTSCHLAND

PlaNet Finance Deutschland e.V. is a non-profit organization based in Berlin providing services in the field of microfinance

Activities:

- Research and training activities
- Know-how services
- Management services for the implementation of microfinance projects
- Affiliated to PlaNet Finance, an international network working with about 200 MFI per year.
- Major activity: contribution to education for development & support to microfinance research through “University Meets Microfinance”



„University Meets Microfinance“

“ Enhancing cooperation between microfinance practitioners and university students in Germany and in Europe,

Strengthening awareness and understanding of microfinance developments,

Contributing to mutual learning for better practice.”

- Initiated in 2008 in Berlin and managed by PlaNet Finance Deutschland and Freie Universität Berlin
- Co-financed by the European Commission for 2009-11 within the frame of its “Education for Development Programme” for EU countries
- Built on 5 core activities (seminars, mentorship & scholarships, workshops, awards & ToT) leading to microfinance knowledge creation, capitalization and publication.
- 40 practitioners and 44 academics from 26 universities : members of UMM Selection Committee.
- MICROINSURANCE: priority topics for 2nd phase (2012-14)





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III.1. Household Risk Management in Agriculture

General Context :

- High risk exposure and vulnerability of rural households in developing countries
- Lack of access of the low-income population to financing services / adapted coverage to face unpredictable or predictable risks
- Lack of knowledge and trust of the target market in insurance
- Informal Risk mitigation mechanisms such as consumption smoothing or informal risk pooling arrangements (remittances, savings, assets) (Deaton 1997; Morduch 2004)
- Direct Consequence of Risk: Sliding into poverty after shock occurred
- Indirect Consequence of Risk : Chronic Poverty Trap: High risk aversion, low investment in more efficient but riskier sources of income (Maccini and Yang, 2008; Chronic Poverty Research Centre)



III.2. Household Risk Management in a Post-Conflict Context

Risk Management in a Post-Conflict situation :

- Uncertainty, lack of trust, weakened social networks for informal insurance
 - Risk of recurring violence in the case of unresolved conflicts
 - Lack of financial infrastructure
- Very high degree of vulnerability and risk aversion of rural households in post-conflict context
- Avoidance of riskier crop production and investments → poverty trap



III.3. Microinsurance as a Tool for Household Risk Management

- “Vulnerability is the uninsured exposure to risk“ (Townsend, 1993)
- Microinsurance can be defined as an insurance that “(i) operates by risk pooling (ii) is financed through regular premiums and is (iii) tailored to the poor who would otherwise not be able to take out insurance.”(Craig Churchill, 2006)
- Provide low- income households and small-scale enterprises, with insurance to indemnify them from severe losses from shocks (climatic, health, economic,)
- Promotion of investment and productivity
- Academic research on impact is yet rather limited but evolving



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IV. Research Approach

Research Focus:

- Microinsurance as a risk mitigation mechanism for agricultural households in a post-conflict context
- Impact on risk aversion and vulnerability
- Impact on investment behaviour and uptake/access of financial services

Methodology:

- Microdata collection on a Baseline Level
- Randomized Control Trials
- Experimental research design



IV. Research Approach – Next Steps for Year 1

Association to the PlaNet Guarantee Index Insurance Initiative in West Africa

- Participate to the on going impact study realized in Mali
- Learn from methodology, develop individual research design
- Analyse Impact of microinsurance as risk mitigation mechanism in the context of Mali

Association with the TAMNEAC network

- Share on methodology, develop individual research design

Transfer of research design to post-conflict context: Ivory Coast

- Project carried out with Global Index Insurance Fund on "improvement of the capacity of farming communities to mitigate crop production risks though the provision of crop insurance“



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