

Promoting Adoption of Improved Production Technologies among Smallholders in Ghana via Coupled Credit and Index Insurance Contracts

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BASIS AMA CRSP/I4 Index Insurance Innovation Initiative

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General Description

A three-year program of research, outreach, and education designed to promote use of index insurance to expand access to credit and increase adoption of improved production practices among Ghanaian farmers

Research

Conduct a Randomized Control Trial (RCT) to test whether index insurance-contingent credit can reduce impact of widespread agricultural loan defaults in wake of adverse systemic events, allowing lenders to expand access to credit to smallholders and reduce interest rates.

Capacity building

Outreach aimed at agricultural stakeholders (insurance company, rural bank, development partners...), policy makers and educational initiatives involving University of Ghana's PhD program in Applied Agricultural Economics and Policy

Partners

The Ohio State University

The African Center for Economic Transformation

Ghana Agricultural Insurance Pool

Association of Rural Banks Northern Ghana

University of Ghana

Research design

Control Group: Smallholders offered loans, but not index insurance

Treatment 1: Insurance offered to borrowers, but indemnity payment goes to borrower

Treatment 2: Insurance offered to borrower, but indemnity payment goes to bank

in year 1: insurance premiums will be 100% subsidized

in year 2: randomly varied subsidies

Working with 16 Rural and Community Banks in the 3 Northern regions

Target of about 2000 maize farmers in 100 communities

Rainfall insurance provided by GAIP to cover loan amount for the entire season



Research questions

Does index insurance substantially reduce loan defaults during widespread catastrophic weather events?

Does index insurance increase lender profitability?

Does index insurance encourage lender to expand agricultural production loan volume?

Does index insurance encourage lenders to lower interest rate or collateral requirement?

Does index insurance encourage adoption and retention of improved technologies and/or innovation among smallholders?

- Processing,
- Marketing,
- Product,
- Organization

Progress

Increased involvement (call it capacity building) in GAIP affairs
invitation to sit on USAID-convened GAIP steering committee;

- Influence on GAIP two-year programmatic plan;
 - Revenue insurance recommendations;
- USAID and insurance industry commitment to support GAIP for two more years;
- Signing of MoU with GAIP

Strengthening of linkages with USAID projects

- Potential FinGap technical support
- Confirmed METSS logistical support

Strengthening of ties with lenders

- Positive impact of our presentations to ARB Board of Directors and CEOs in August (including feedback of current product deficiencies and articulated interest in revenue insurance);
- Signed MoUs with 11 rural banks
- Signing of MoUs with ARB Board;
 - Emerging collaboration with Promoting Micro-insurance in Ghana.

Implementation of baseline survey

- Pre-tests and site visit in November;
- Final decisions regarding survey population in November;
- Baseline survey to commence in February

Hiring of experienced project manager in Tamale

- Manage relationships with rural banks
- Assist banks' loan officers processing new products

Miscellany

- Presentation in Nairobi at AFRACA conference
- Plans to teach policy methods course at the University of Ghana
- Convinced inclusion of insurance provision in presidential state of the nation speech