FINANCIAL RESILIENCE IN AGRICULTURE

WHY SHOULD AGRICULTURAL DEVELOPMENT BANKS INCLUDE INSURANCE IN THEIR PRODUCT PORTFOLIOS?

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IMPACT OF INSURANCE

ON FARMER WELFARE AND OPPORTUNITIES

Increases in investment

They encourage investment in productive resources, such as improved seeds and fertilisers, by reducing the financial risk faced by farmers. They also influence decisions about which crops to grow, depending on the region and the type of crop.

Increases in farmers' income

They boost income and, in situations involving weather-related and production risks, provide stability. Additionally, they strengthen economic resilience by safeguarding savings and assets during challenging times.

Increased food safety

They play a crucial role in stabilizing production, safeguarding against possible losses, and ensuring consistent food consumption, even amid food crises. This support helps prevent a decline in consumption for households with limited resources.

Adoption of climate-smart practices

Mixed effects: In the United States, they have contributed to increased environmental damage, while in China, they have supported climate adaptation efforts.

Gender equity

Impacts remain limited in part because many studies do not disaggregate results by gender. In the study that does, increases in consumption of up to 554% were observed in female-headed households in Burkina Faso.

ON DEVELOPMENT BANKS

Greater financial stability

They significantly reduce the risk of default, improving indicators such as non-performing loan (NPL) ratios, which in turn enhance the profitability and capital health of agricultural banks. Insurance payouts in bad years translate directly into a higher number of performing loans, thereby stabilizing the portfolios of financial institutions.

Operational capacity and risk reduction

By covering climate-related variables, they effectively mitigate systemic credit risk—events that trigger simultaneous defaults among numerous borrowers—enabling banks to safely expand their operations even in high-risk areas.

Financial inclusion and credit portfolio sustainability

Insurance can significantly expand financial access for smallholder farmers—high-risk clients to whom banks typically restrict credit—by promoting inclusion while preserving the sustainability of the loan portfolio through the continued engagement of new borrowers within the financial system.

Strategic advantages for agricultural development banks

They help agricultural development banks fulfill their mandates by strengthening their capacity to achieve institutional sustainability and broader policy objectives, such as boosting rural incomes and promoting climate resilience.

02.

DOCUMENTED ENGAGING EXPERIENCES

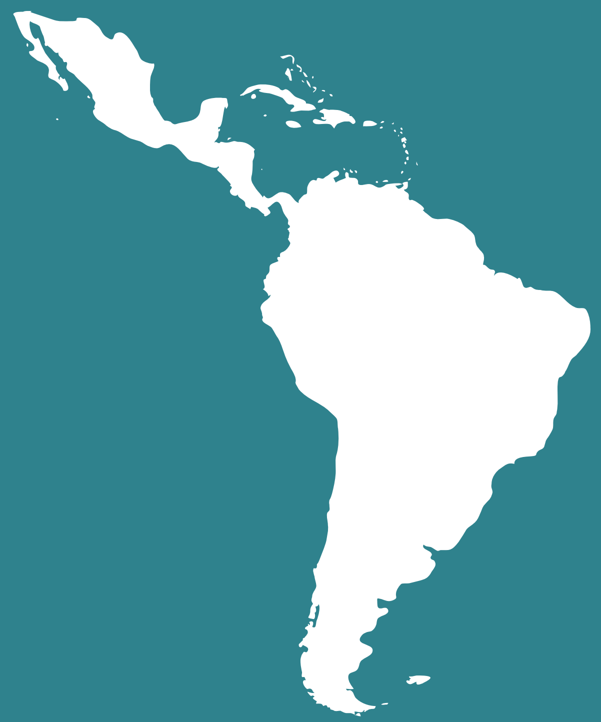
Applications of Agricultural Insurance

IN AFRICA

- Kilimo Salama (now ACRE Africa)
- R4 Rural Resilience Initiative

IN ASIA

- National crop insurance scheme (NAIS, later PMFBY)
- Subsidize yield insurance for staple crops
- Large-scale livestock insurance



IN LATIN AMERICA

- Catastrophic insurance scheme for vulnerable farmers (Agroasemex, CafeSeguro, Produce Seguro)
- Public agricultural loan insurance for small and medium-sized producers (PROAGRO)
- Agricultural insurance against climatic events (SAC, Pachamama)

03.

WHY SHOULD BANKS INTEGRATE INSURANCE INTO THEIR PORTFOLIO?

Because it benefits end clients and amplifies the impact of the bank's work

- Provides loan repayment security in the face of unexpected events
- Creates incentives to increase investment.

- Higher incomes
- Improved food security
- Adoption of climate-smart practices

Integrating agricultural insurance has a positive impact on the financial stability and economic opportunities of agricultural producers

Because it strengthens the bank's financial performance and long-term sustainability.

1. **Improved Operational Performance:** Greater operational capacity, enhanced stability, and financial sustainability—reflected in lower default rates and increased intertemporal predictability.

2. **Greater Inclusion and Contribution to Development:** Facilitates access for clients who would otherwise struggle to qualify for credit, while ensuring service provision to populations prioritized by public policy.

3. **Enhanced Capacity to Attract External Financing:** Development banks become more attractive for accessing concessional funds, resources from impact investment programs, and the ability to negotiate favorable financing lines for the agricultural sector.

THANK YOU