### 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 increased option of improved production practices among Ghanaian farmers

Research

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

Capacity building

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

The Ohio State University
The African Center for Economic Transformation
Shana Agricultural Insurance Pool
Association of Rural Banks Northern Ghana
University of Ghana

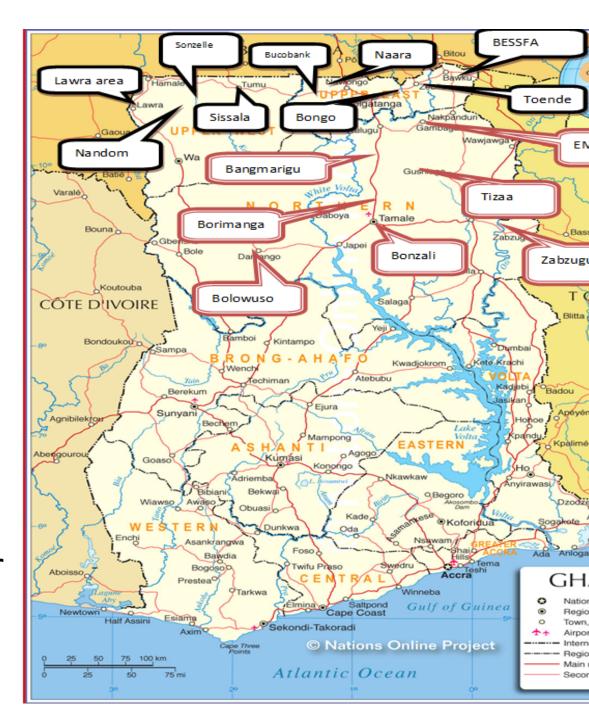
## Research design

- 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
- n year 1: insurance premiums will be 100% subsidized
- n 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