BAN: Pilot Project on Weather Index Based Crop Insurance (WIBCI)

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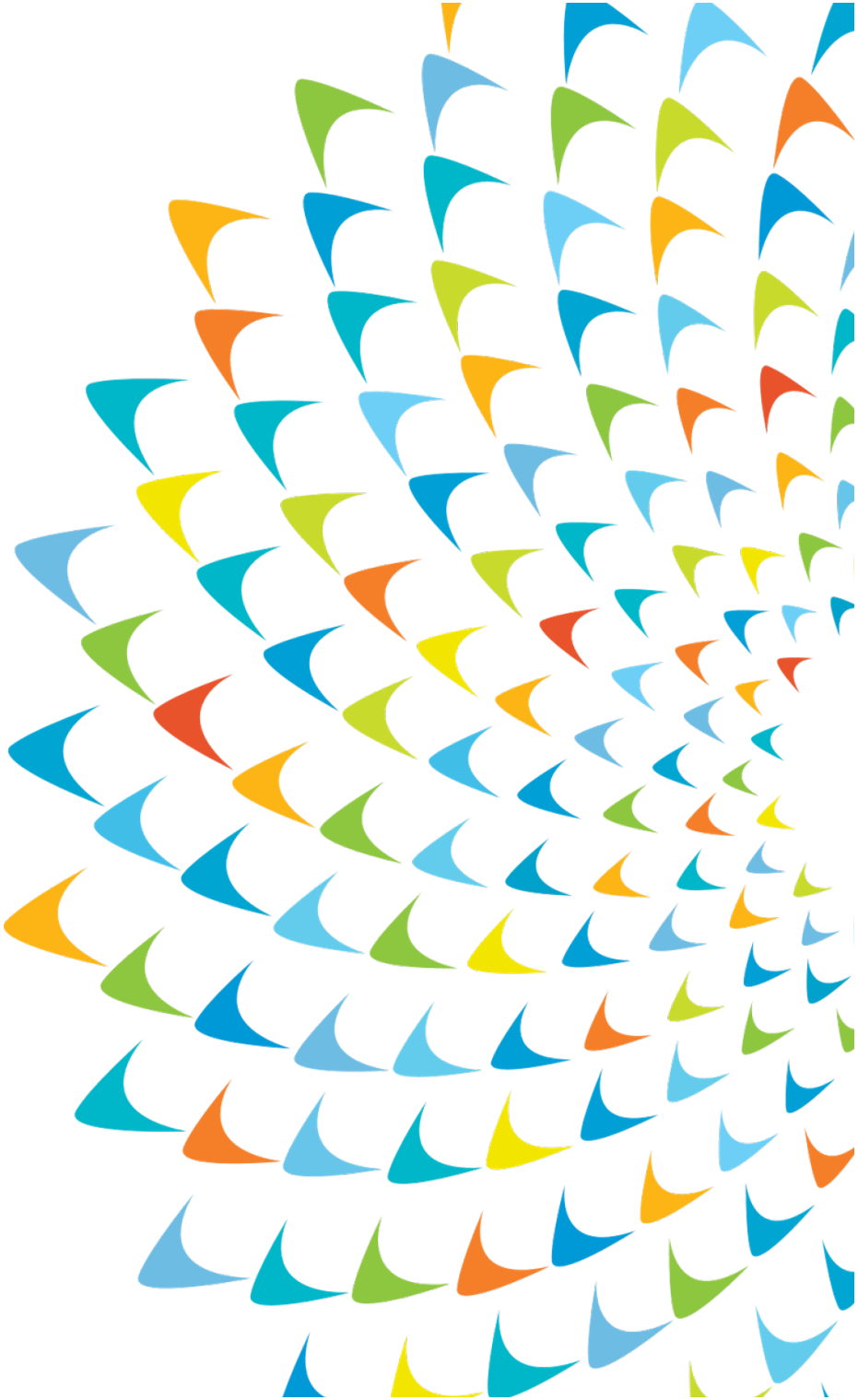


Underlying Issues

- Bangladesh is one of the most climate-vulnerable and disaster-prone countries in the world
- The cyclone Sidr in 2007 destroyed about 95% of standing crops in the coastal districts
- Flash flood becomes a frequent event in Northeast region

Underlying Issues (cont.)

- Natural disasters affect crop production and make low income farm households vulnerable
- Small and marginal farmers are often excluded from risk-sharing mechanism
- Traditional credit mechanism and disaster-relief programs are there
  - But reaching and targeting are not effective
- Weather index-based crop insurance (WIBCI) is innovative risk-adaptation tool, suitable for all types of farmers

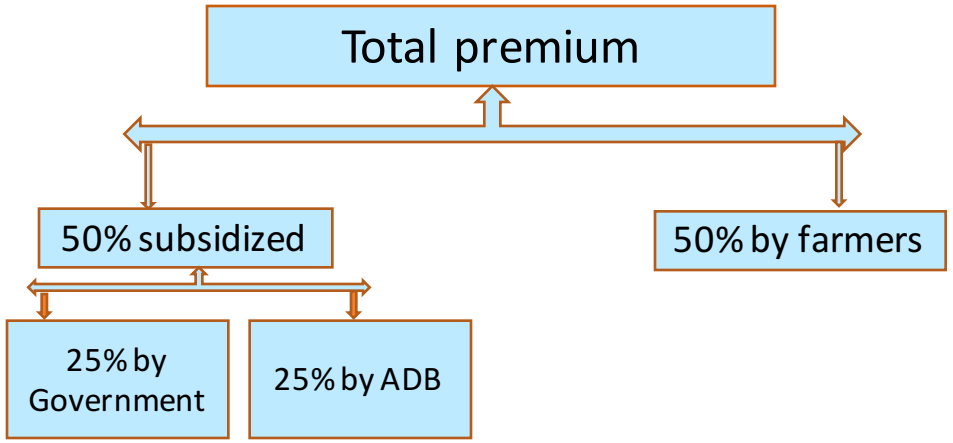
Project Key Features

- Objectives
  - Increase the resilience of farm households
  - Reduce their income shocks
- Key performance indicators
  - At least 20 weather stations installed
  - 12,000 farm households enrolled
  - 6,000 farmers sensitized
  - 400 officials capacitated
  - Regulations drafted
- Location
  - Covered three districts for covering risks related to drought, cyclone and flood

Financing and Implementation Structure

Financiers	$ in million
ADB-JFPR	2.0
Government of Bangladesh	0.42
Japan Aerospace Exploration Agency	0.06
Total	**2.48**

- WIBCI Financing Framework



- Implementation structure
  - Step 1: Weather stations installed and baseline study (location, crops, etc.)
  - Step 2: Conducting awareness programme (through MFIs)
  - Step 3: Enrollment (Financing Framework?)
  - Step 4: Claims calculation and settlement

Key Results

- 20 AWS installed
- 7 rounds of piloting
- 4 crops (rice, potato, chilies, pointed gourd)
- 16,426 farmers sensitized
- 9,641 farmers enrolled
- 936 officials capacitated
- Underwriting software developed

Legal and Regulatory Embedment

- Regulatory framework drafted and submitted to the authority
- Objective:
  - To protect policyholders and ensure supervision of the authority
- Regulatory framework includes:
  - Specifying the rural and social obligation
  - Creating spaces for insurance companies
  - Ensuring consumer protection
  - Allowing non-insurance companies as distribution channel

Lessons Learned and Way Forward

Lessons learned

- Demand from farmers- strong
- Intensive awareness campaign- needed
- Involvement of government agencies and MFI- trust builder
- Subsidy on premium– a motivating factor
- Use of financial technology- facilitates the business process

Way forward

- Introducing more integrated system involving regulators, development partners, financial companies, MFIs, etc.
- Expanded coverage of crops and area
- Wider use of high level technology for efficiency and trust

ADB

Thank you.