



# NEWSLETTER

Protecting The Interests Of Insurance And Pension Consumers

Q2

2024

## Securing Zimbabwe's Future: Insuring Agriculture Against Climate- Related Risks

Agricultural  
Index Insurance



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# NEWSLETTER

Protecting The Interests Of Insurance And Pension Consumers

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## Editor's Note

Dear readers

I am delighted to bring you the second edition of our quarterly newsletter, covering developments from Q2 2024. This edition focuses on the critical role of agricultural insurance in safeguarding Zimbabwe's smallholder farmers from the growing threats posed by climate change. One of the featured articles highlights the Government's commitment to ensuring that all farmers supported under the Pfumvudza/Intwasa program are insured against climate-related risks.

We also explore the collaborative efforts between the Government, the Insurance and Pensions Commission (IPEC), the International Finance Corporation (IFC), FSD Africa, the Access to Insurance Initiative, and the insurance industry in advancing the agricultural index insurance agenda.

As we progress, agricultural index insurance will become increasingly essential in building resilience among smallholder farmers, ensuring food security, and contributing to Zimbabwe's overall economic stability. It's not just about protecting crops, it's also about securing the future of agriculture in Zimbabwe.

I invite you to explore the articles and gain insights into the ongoing efforts to climate-proof our agriculture sector. Together, we can build a resilient agricultural economy that withstands the challenges of climate change and supports the livelihoods of millions of Zimbabweans.

Your feedback is always appreciated. Until then,

Lloyd Gumbo  
**Public Relations Manager**



# Regulation Reimagined



## IPEC Vision

“To be a safe, vibrant and sustainable insurance and pensions industry by 2025.”



## IPEC Mission Statement

“Regulate, supervise and develop the insurance and pensions industry for the protection of policyholders and pension scheme members through regulatory excellence”.

## IPEC Values

### Professionalism

We are professional in the way we conduct ourselves, carry out our business.

### Accountability

We are answerable, and responsible for all our actions and decisions.

### Fairness

We develop and apply rules, regulations and procedures equitably among all clients and stakeholders.

### Integrity

We are ethical and honest in our dealings with all our stakeholders.

### Excellence

We are exemplary in the way we do our business. We strive to exceed expectations by upholding the utmost quality standards in carrying out our work.



## All Pfumvudza/Intwasa farmers to be **insured**

Finance, Economic Development, and Investment Promotion Minister, Professor Mthuli Ncube says Government is committed to having all Pfumvudza/Intwasa farmers insured to mitigate the effects of climate-related risks. Government supports at least 1,6 million smallholder farming households with inputs such as seeds and fertilizers under the programme.

In its policy advisory paper on agricultural index insurance, IPEC implored the Government to subsidise premiums for smallholder farmers to ensure more farmers are covered. This is the case in countries such as Kenya and Uganda that have successfully championed agricultural index insurance targeting smallholder farmers.

Prof Ncube had a bi-annual meeting with the insurance and pensions industry executives in May where IPEC Commissioner, Dr Grace Muradzikwa and Insurance Council of Zimbabwe chairperson, Mr David Nyabadza underscored the importance of Government's role in promoting agricultural insurance for smallholder farmers.

"I really believe that every Pfumvudza/Intwasa farmer should be covered by some insurance, they should buy some and we subsidise some," said Prof Ncube, in response.

"I am sold on this. We should be providing seed, fertilizer, advisory services to farmers, and then finally microinsurance to every Pfumvudza/Intwasa farmer. The farmer will pay something, but we need to pick up the bulk in terms of the premium, as the Government."

Short-term insurers and reinsurers have come up with a consortium that will be responsible for insuring smallholder farmers.

A team comprising representatives from the Government, IPEC, and the insurance industry had a benchmarking tour to Kenya and Uganda last year to learn how the two countries administered agricultural insurance for smallholder farmers. In both countries, Government plays a leading role in subsidising premiums for smallholder farmers.



## Ministry of Agriculture comes to the party

The Ministry of Lands, Agriculture, Fisheries and Rural Development has endorsed agricultural insurance for smallholder farmers saying it will go a long way in building their resilience.

Speaking at a meeting with FSD Africa and representatives from the Ministry of Finance, Economic Development and Investment Promotion, Ministry of Environment, Climate and Wildlife, and IPEC in Harare this April, Ministry of Agriculture Chief Director, Strategic Planning & Business Development, Mr Clemence Taderera Bwenje, said Government is targeting integrating smallholder farmers into the insurance system.

“Insurance will be treated as an input and making premiums affordable is an urgent intervention required,” he said.

Mr Hwenje said his ministry piloted the Area Yield Index Insurance during the 2021/22 season in Rushinga and Mwenezi where about 32, 000 maize farmers were enrolled. He said the total sum insured was US\$1,162, 408 with a premium amount of US\$120, 000 and the payout amount was about US\$124, 000. In his remarks, FSD Africa Director of Risk and Resilience, Mr Kelvin Massingham said there is need to explore innovative insurance solutions to mitigate the impact of climate change-related risks.

“We want to see how we can get the private insurance industry in Zimbabwe to offer more solutions. We are working together with all these stakeholders to see what we can design to really scale up insurance for agricultural risks in Zimbabwe.”

In a separate meeting with FSD Africa, the insurance industry under the auspices of the Insurance Council of Zimbabwe, expressed its interest and readiness to insure smallholder farmers but called on Government to subsidise the smallholder farmers’ premiums. Mr Massingham said FSD Africa will assist Zimbabwe by mobilising supplementary premiums to subsidise smallholder farmers.

which will be imparted to you today. I urge you to learn and have a deeper understanding of insurance and risk mitigation measures, which I positively believe will enable you to competently train SMEs when you go back to your stations.”

In her remarks at the same event, IPEC Director of Insurance, Mrs Sibongile Siwela said the training of ministry officials aligned with the National Financial Inclusion Strategy.

“The thrust of the National Financial Inclusion Strategy is to ensure that we promote financial inclusion in various sectors, particularly those who were previously excluded such as MSMEs, women, and the youth.

“The Insurance and Pensions Commission values collaboration with key stakeholders in promoting financial inclusion such as the training we are having today is happening as a result of collaboration between IPEC, ICZ and the Ministry of Women Affairs, Community and Small and Medium Enterprises Development,” said Mrs Siwela.

In his remarks, ICZ chief executive officer, Mr Donald Muthe said MSMEs were exposed to risks that impacted their livelihoods.

He cited the frequent fire outbreaks at Glenview 8 complex and at buildings occupied by MSMEs in the cities as well as the climate-related risks affecting smallholder farmers as some risks that MSMEs face.

“Resuscitating operations after such losses is difficult particularly for SMEs who have limited financial resources or who do not have any form of security for example insurance and to greater extend have limited knowledge and appreciation of risk management and insurance as a security tool for assets and economic activities,” he said.





## IPEC-IFC partnership bears fruit

The partnership agreement between IPEC and IFC—an arm of the World Bank Group—has started bearing fruit.

IPEC and IFC signed a partnership agreement in 2022, under the banner Agriculture Insurance Support Project, with the objective of developing agricultural index-based insurance to protect Zimbabwe's smallholder farmers from climate-related risks.

The project scope involved three components: a feasibility study on agricultural index-based insurance in Zimbabwe; facilitation of knowledge exchanges with more developed agri-insurance markets in Africa; and the development of a regulatory framework. Below is a high-level summary of each of these components:

### ***Feasibility Study on Agricultural Index-Based Insurance in Zimbabwe***

The study, which sought to gauge the appetite for agricultural index-based insurance from both the supply and demand sides, was conducted, and the Agricultural Index Insurance Market Assessment

Report was presented to stakeholders in April this year. The study revealed that there is an appetite for agricultural index insurance from both the supply and demand sides.

### ***Facilitation of Knowledge Exchanges***

A team comprising representatives from the Government, IPEC, and the insurance industry participated in a study tour to Kenya and Uganda last year. These two countries are among the African jurisdictions that have successfully championed agricultural index insurance targeting smallholder farmers. IFC also provided capacity-building training for IPEC and the industry.

### ***Development of a Regulatory Framework***

After the study tour to Kenya and Uganda, IPEC drafted an agricultural index insurance policy paper, which the Government approved through the Ministry of Finance, Economic Development, and Investment Promotion. The policy paper informs the agricultural index insurance regulatory framework, which IPEC is currently drafting.

## What they said at the Agricultural Index Insurance Market Assessment Report presentation to stakeholders in April ...



**IPEC Commissioner, Dr Grace Muradzikwa**

“Given that the Commission’s mandate includes the development of the insurance and pensions industry, our presence here today demonstrates our commitment to promoting the development of the insurance industry, particularly with a special focus on the financially excluded.”



**IFC Financial Institutions Group Advisory/  
Upstream Manager for East and Southern  
Africa, Ms Paula Felipe**

“Given that the Commission’s mandate includes the development of the insurance and pensions industry, our presence here today demonstrates our commitment to promoting the development of the insurance industry, particularly with a special focus on the financially excluded.”



**IFC Country Officer for Zimbabwe, Mr Vasco Nunes**

“But it’s highly exposed to climate events even before what we call climate change. This part of the continent is prone to very extreme events of drought and cyclones. This is a timely moment to highlight the need for this kind of tool.”







## Insurers and farmers say cheers to agricultural index insurance

“AVCAs (Agricultural Value Chain Actors) acknowledged the importance of agricultural insurance to protect themselves and SHFs

(smallholder farmers), especially from weather and biological risks,” the report stated.

“AVCAs are willing to bundle their service with agricultural insurance but have some reservations such as high insurance premiums, lack of smart subsidies for agricultural insurance to lower initial operational costs and attract interest, insurers’ unwillingness to compensate for the insured risk, and low levels of awareness on the importance of insurance among smallholder farmers, which requires significant investment in educational campaigns.

“Collectively, stakeholders recommend that the government consider implementing smart subsidies for agricultural insurance to smallholder farmers as part of its national disaster risk financing strategy.”

Most insurers also recommended tax exemptions on premiums and product development costs, compulsory insurance for crops and livestock, and government technical support in loss assessment.

A feasibility study on the demand for agricultural index insurance in Zimbabwe has found that both insurers and participants across the agricultural value chain, including smallholder farmers, are interested in adopting index insurance.

The study, conducted by the IFC as part of its partnership agreement with IPEC, also revealed that both the supply side and the demand side would like the Government to subsidise the premiums for smallholder farmers.

According to the study, some of the key risks that smallholder farmers face include weather-related risks, biological risks, market risks, policy and political risks, and labour and health risks.

Most of the respondents support the development of agricultural index insurance in Zimbabwe.





## Enhancing smallholder farmers' resilience against climate-related risks

By some estimates, [over 70 per cent of Zimbabwe's population depends on agriculture for their livelihoods](#) while smallholder farmers produce about 70 per cent of the country's staple foods with about 70 per cent of them relying on rainfall for their agriculture. This reliance on rainfall, which has become more unpredictable makes them highly vulnerable to droughts and other climate-related risks, impacting their livelihoods and food security at both household and national level.

On average, agriculture contributes [11-14 per cent of the country's Gross Domestic Product \(GDP\), 60 per cent of all raw materials for the industry, and about 45 per cent of all exports](#). The National Development Strategy 1 underpins the inclusive economic growth on good performance of the agriculture sector expected to contribute over 20% of GDP by 2025, which will improve smallholder farmers' livelihoods. This demonstrates the correlation between agricultural productivity and economic performance. Whenever agriculture productivity drops, the economy takes a knock.

The impacts of climate change have, thus, increased smallholder farmers' vulnerability, with the 2023/2024 El Nino-induced drought providing ample evidence of the ruthlessness of climate change. According to the UN's International Fund for Agricultural Development (IFAD), [staple crops in eight African countries including Zimbabwe could decrease by as much as 80 per cent by 2050 in some areas, if temperatures continue to rise due to climate change](#), if no adaptation measures are taken. This drives home the fact that change is needed and needed urgently to mitigate the effects of climate change.

Climate-proofing agriculture should go beyond expanding irrigation systems and building the capacity to produce more drought-resistant seed and crops because these are still vulnerable to extreme weather events, which are becoming more frequent. Agricultural insurance is a vital tool for smallholder farmers, enabling them to cope with the adverse effects of climate change while improving their resilience and capacity to sustain their livelihoods.

Agricultural insurance comes in different forms. There is the traditional indemnity-based insurance, which is currently more common among commercial and contract farmers. For indemnity-based insurance, payment is based on the actual loss suffered by the farmer. There is also the non-traditional parametric insurance, which can be either weather index-based insurance (WII) or area yield-based insurance (AYII) or a hybrid of both WII and AYII. Under this type of insurance, payment is based on predefined triggers. For example, under WII, if the rainfall received is significantly below or above normal rains, then the insured farmers in the area will then be compensated irrespective of their harvest. Under AYII, insured farmers in a particular area are paid if the average yield (from a crop cutting experiment) in the area is significantly below the normal yield, as specified by a yield trigger level. Just as the case with WII, under AYII, insured farmers are compensated irrespective of individual farmers' yield.

Given the importance of agriculture to the livelihoods of at least 70 per cent of Zimbabwe's population and rainfall-dependant smallholder farmers' contribution to national food security at a time rainfall has become more unpredictable, finding solutions to climate-related risks is more critical than ever. Index-based insurance provides one key solution in de-risking agriculture as it [can help smallholder farmers become more resilient by giving them a tool to manage their risk, protect their investments, maintain their livelihood and invest more in agriculture despite experiencing a bad season.](#)

How can Zimbabwe build smallholder farmers' resilience in the face of climate change? Government has already provided direction through the National Development Strategy 1 on page 69 where it committed to promoting weather index-based insurance mechanisms for smallholder farmers. The Insurance and Pensions Commission (IPEC) has already come up with an agricultural index-based insurance policy paper, which it submitted to government in line with its statutory mandate of advising Government on insurance-related issues. Government has since approved the policy paper, paving the way for the development of an agricultural index-based insurance regulatory framework, which IPEC is currently seized with.

## ...Enhancing smallholder farmers' resilience against climate-related risks





# Q2 Events Gallery

## Insurance and Pensions Media Awards



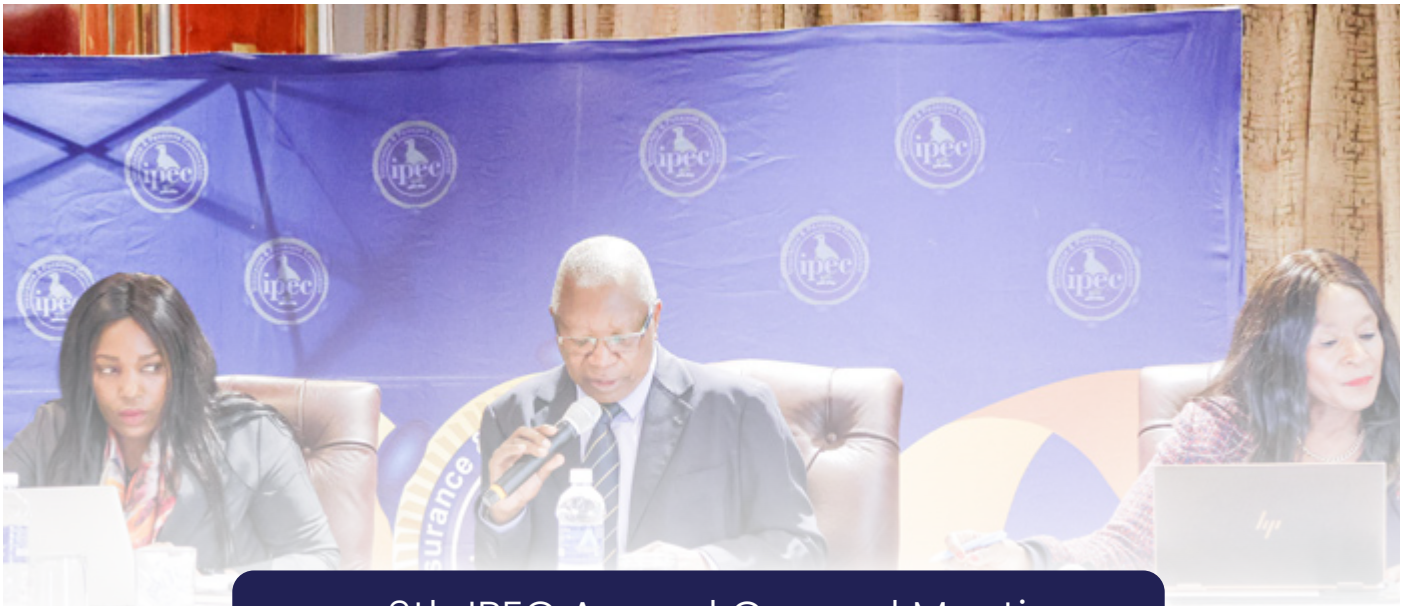




IFC and FSD Africa workshops







6th IPEC Annual General Meeting







Finance, Economic Development and Investment Promotion Minister, Prof Mthuli Ncube's engagement with insurance and pension executives







Guruve and Bikita Roadshows







Insurance Awareness Run







Financial Literacy campaign in Manicaland and Midlands provinces







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