

DM2009 Project Summary

Project Number: 5136 Booth Number: 96

Smallholder-Led Micro-Insurance for
Climate Adaptation and Risk Reduction

COUNTRY: Ghana
ORGANIZATION: Concern Universal
FUNDING REQUEST: \$200,000

OBJECTIVE: To enhance the capacity of vulnerable households and communities to adapt to the effects of climate change and variability through adoption of improved production technologies. The scheme focuses on selected cereals and targets smallholder farmers in the Upper West Region.

RATIONALE: Increasing incidence and frequencies of climate shocks such as droughts are contributing to deteriorating livelihoods of food-crop farmers in the Upper West Region of Ghana. This has made the need for adopting early-maturing, higher-yielding, and drought-tolerant cereal varieties most imperative. However, these vulnerable farmers cannot afford these technologies and the input package (especially fertilizer) that goes with them. They are also unable to attract production credit, which could otherwise facilitate adoption of these climate-adaptation packages, since they cannot provide the needed collateral. We propose a microcredit scheme with built-in micro-insurance as a solution.

INNOVATION: A microcredit scheme with a built-in micro-insurance covers crop and/or yield loss due to drought, in an adaptation mix that also includes climate-change education using local peoples' climate witness stories (CWS). The model makes it possible for poor farmers who otherwise cannot afford an insurance premium to pay it from the credit received. The sum insured covers the total loan amount and the interest payable. Micro-insurance is a new concept in Ghana, and crop insurance is an untested idea in the insurance industry in the country.

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