

ONE ACRE FUND

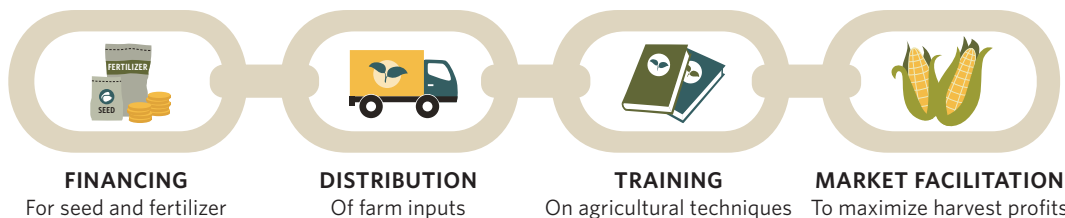
INNOVATIVE RISK TRANSFER MECHANISMS

Seventy percent of the world's poorest people depend on farming for their livelihood. Yet most of these farmers live in remote areas of the world, and do not have access to basic agricultural tools and training. As a result, they struggle to grow enough to feed their families, and face an annual "hunger season" of meal skipping and substitution. The only permanent solution to sub-Saharan Africa's food insecurity problem is a sustained, dramatic increase in farm production.



JULIANA WAVOMBA, KENYA

One Acre Fund, a non-profit organization working with more than 500,000 smallholders, provides a bundle of goods and services on credit, including farm inputs, training, and market facilitation. Farmers who enroll on average see a 50 percent increase in their crop yields after just the first year.



When a farmer signs up with One Acre Fund, she joins as part of a group of six to twelve farmers. She receives an in-kind loan guaranteed by her fellow group members of productive inputs, such as seed and fertilizer. The organization delivers these inputs to a market point within walking distance of where she lives, and a One Acre Fund field officer provides comprehensive in-field agricultural training. At the end of the season, the field officer also trains farmers how to harvest and store their crops and participate more competitively in harvest markets.



Various external shocks can hinder farmers' abilities to fulfil their obligation in repaying their loans, including climate-related risks. To secure One Acre Fund's balance sheet and ensure that the organization is able to operate sustainably for the long-term, One Acre Fund together with sfr-consulting (a member of the Munich Re Group) designed an insurance product that protects the portfolio of One Acre Fund's outstanding receivables against the risk of non-payment above agreed upon catastrophic levels.



This portfolio protection was designed as a layered structure, which enables One Acre Fund to share risk at attractive price levels. Given the comprehensive nature of the developed insurance solution, the beneficial impacts of existing catastrophic insurance facilities are reflected in the assessment and design of this insurance product. With the transfer of risks, One Acre Fund is able to confidently work towards the organization's objective of serving more than 1 million farm families by 2020.



LAZARO MKEMURA, TANZANIA

STATEMENT FROM JENYA SHANDINA, SENIOR MANAGER AT ONE ACRE FUND

We are excited about this innovative insurance solution, as it helps One Acre Fund manage the risks of working in rural, unbanked markets, which are also greatly affected by climate change. Having this insurance policy in place will allow us to responsibly grow to serve more farmers, contributing to the reduction of food insecurity and poverty. In the long term, we hope such innovative solutions will encourage more players to enter the market, thereby increasing access to affordable financing for smallholder farmers.



One Acre Fund is a nonprofit social enterprise that supplies smallholder farmers with the financing and training they need to grow their way out of hunger and poverty. Instead of giving handouts, the organization invests in farmers to generate a permanent gain in farm income. It provides a complete service bundle of seeds and fertilizer, financing, training, and market facilitation—and delivers these services within walking distance of the more than 500,000 rural farmers it serves. One Acre Fund measures success in its ability to make farmers more prosperous. For more information, visit oneacrefund.org.

STATEMENT OF FRANZ KARMANN, MANAGING DIRECTOR SFR-CONSULTING

Reflecting the current efforts and development of climate-related insurance products, this solution is a further milestone. It “combines” different insurance lines and is structured directly to the needs of the client. Climate change has multifaceted effects, which can hardly be addressed by one single insurance product. Therefore, we need more comprehensive insurance coverage by enhancing existing stand-alone solutions. With this solution, we will secure the farmer’s access to affordable finance in a sustainable way.



With the ratification of the 17 sustainable development goals by the UN Member States a fundamental shift towards the cooperation between the private and the public sector has been formulated. To follow this request Munich Re has set up a spin-off company called sfr consulting as response to support the achievement of the ambitious goals. Benefiting from the Munich Re network and its worldwide expertise the company acts as facilitator and catalyzer with the strategic objective to develop innovative risk mitigation solutions for SDG projects which are due to its embedded risk not within the private investment market guidelines.