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MINISTRY OF AGRICULTURE AND
LIVESTOCK DEVELOPMENT

NATIONAL AGRICULTURAL INSURANCE POLICY (NAIP)

December 2023



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National Agricultural Insurance Policy (NAIP)

Ministry of Agriculture and Livestock Development
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Foreword

Kenya's economy is predominantly dependent on agriculture in terms of Gross Domestic Product, employment, provision of raw materials and foreign exchange earnings. The Agricultural Sector directly contributes 23 percent of the country's Gross Domestic Product and an additional of 27 percent through manufacturing, distribution and service-related sectors. The Government has consequently outlined the key role the sector will continue to play in the Agricultural Sector in the Kenya Vision 2030 and the Agricultural Sector Transformation and Growth Strategy (ASTGS). The strategies outlined in these documents aim at accelerating the growth of the agricultural sector in order to improve the standard of living of Kenyans as well as substantially improving their food and nutritional security.

Agriculture sector is however, increasingly becoming vulnerable to vagaries of weather-related risks that adversely affect the sector performance and therefore the general economy due to the strong linkages. Further, Climate change has aggravated the vagaries of weather resulting in increased frequency and intensity of extreme weather events such as droughts and floods and concomitant increase in pests and diseases incidences. The Government has consequently identified and adopted agricultural insurance as one of the ways to de-risk the agricultural sector and reduce vulnerability of farmers. However, the insurance sector has been reluctant to fully embrace the sector due to attendant risks. The adoption of insurance by farmers has consequently remained low.

The purpose of this Policy is to outline measures that, if implemented, will foster the development and growth of agricultural insurance in the country. It endeavors to identify the salient relationships and linkages between the key stakeholders in the agricultural insurance industry, as well as providing a framework to guide specific policy actions/interventions key one being the development of affordable and accessible agricultural insurance. In addition, it offers policy makers and the private

sector a coherent direction to guide coordinated performances and implementation of the policy. The policy identifies the roles of the various actors and proposes measures to ensure effective implementation of proposed interventions necessary to foster development and growth of agricultural insurance for sustainable food and nutritional security

It is my belief that this, policy, if effectively implemented, will open a new chapter in derisking agriculture, promoting it as a business and attracting investments into the sector.

A handwritten signature in black ink, appearing to read 'Mithika Linturi', with a stylized flourish at the end.

Hon. Mithika Linturi, EGH

Cabinet Secretary

Ministry of Agriculture and Livestock Development

Preface

The large majority of farmers in Kenya remain vulnerable to natural disasters, a fact that poses significant social and economic challenges to the sector and the economy. Severe drought strikes the country every 3 to 5 years causing major losses. For instance, during the extreme drought event that occurred between 2008 and 2011, the Kenyan economy lost an estimated USD12 billion, with the Livestock sub-sector alone incurring 72 percent of this loss. Such devastating shocks push better off farmers and pastoralists into poverty and the already poor into destitution, which may take them several years to recover. The shocks also make it more costly or impossible for these farmers to take loans thus limiting opportunities to agricultural producers to invest in better tools and technologies to increase productivity.

Agricultural insurance offers opportunity for Kenya to address and manage the risks associated with agriculture though its penetration in the country is low. With the exceptions of some small-scale pilots and niche retail activity, the private sector is currently not providing agricultural insurance to scale. This can be attributed to various reasons, which include lack of capacity to underwrite catastrophic risks associated with drought, floods and other typical agricultural shocks, costly administration overheads and limited access to international re-insurance markets among others.


Although reinsurance is available, it is usually expensive particularly where there is lack of reliable data. Secondly, smallholder farms tend to be spread over wide areas and this makes agricultural insurance to carry high distribution costs; this is exacerbated by lack of established insurance agent networks in rural areas. In addition, the cost of assessing losses in traditional indemnity insurance is relatively high. This is especially true for small-insured farm units, where the premium volume generated is low and therefore insufficient to cover the costs of loss assessment.

Index-based agricultural insurance lowers transaction costs although it carries with it high development and other start-up costs. These start-up costs eventually translate into expensive premiums for the smallholder farmers. In addition, farmers have poor

understanding of agricultural insurance and this reduces demand and at times may result in purchase of inappropriate products.

This policy outlines concise interventions that will improve agricultural insurance adoption for risk management. Implementation of agricultural insurance through the proposed public-private partnerships will reduce losses along the various agricultural value chains and help smoothen agricultural incomes. Agricultural insurance will also provide the much-needed protection for agricultural producers; especially the vulnerable farmers, thereby keeping them out of extreme poverty and enabling them improve investments in agriculture. The emanating increase in investment in agricultural production will contribute to national food security and increased incomes.

We firmly believe that this policy proposals will address the challenges that have for a long time made agricultural insurance penetration and deepening among farmers, pastoralists and fisherfolk remain low and reduce risks in agriculture. Lastly, we wish to affirm our commitment to mobilize adequate human and financial resources to implement this policy. We therefore call upon the financial and insurance sectors, the private sector and all stakeholders to join, partner and collaborate with government at the national and county level to support the implementation of this policy.



Dr. Kipronoh Ronoh P.
Principal Secretary
State Department for Agriculture



Hon. Jonathan M. Mueke, CBS
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Contents

Foreword	i
Preface	iii
Executive Summary	vii
Glossary	ix
Acronyms	xi
Chapter 1: Introduction	1
1.1 Background	1
1.2 History of Agricultural Insurance	3
1.3 Justification for an Agricultural Insurance Policy	4
1.4 Policy Vision, Mission and Scope	4
1.5 Policy Objectives.....	5
Chapter 2: Situational Analysis	7
2.1 Background to the Insurance Industry.....	7
2.2 Agricultural Insurance Market	8
2.3 Status of Agricultural Insurance	8
2.4 Analysis of Key Issues in Agricultural Insurance.....	11
2.5 Challenges in Agricultural Insurance.....	20
Chapter 3: Policy Interventions	25
3.1 Agricultural Risk Exposure	25
3.2 Agricultural Insurance Data Management.....	26
3.3 Agricultural Insurance Product Development, Distribution and Uptake.....	27
3.4 Agricultural Risk Financing.....	28
3.5 Legal and Regulatory Framework for Agricultural Insurance.....	28
Chapter 4: Policy Implementation	30
4.1 Institutional Structures for Policy Implementation	30
4.2 Funding for Policy Implementation	34
4.3 Monitoring and Evaluation	34

Executive Summary

The Agricultural Sector has recorded impressive growth since independence though many challenges persist in achieving food and nutrition security. Risks and uncertainties are inherent in agricultural production systems as producers are exposed to various disasters owing to vagaries of weather, biological perils that include pests and disease outbreaks, idiosyncratic risk such as hail and fire and systemic risks covering large areas. These disasters severely disrupt agricultural production resulting in vulnerability of producers and other value chain actors.

The Government has identified agricultural insurance as one of the ways to de-risk the agricultural sector and reduce vulnerability of farmers and other value chain actors. However, the adoption of agricultural insurance in the country as a risk mitigation measure is still low due to many challenges. These include inadequate capacity for risk assessment and profiling; inadequate and unreliable data for agricultural insurance; low levels of agricultural insurance market infrastructure; inappropriate product distribution channels; inadequate capacity by underwriters to cover risks; high cost of insurance premiums; inadequate incentives by government and weak legal and regulatory framework.

The agricultural insurance sector has been operating without a comprehensive policy to guide its growth and development and this informs the Government's quest to have one in place. The National Agricultural Insurance Policy forms the conceptual framework that provides guidelines for addressing the challenges in the agricultural insurance sub sector and exploiting the opportunities to bring greater competitiveness and spur economic growth. The overall objective of this policy will therefore be to foster development and growth of agricultural insurance for sustainable food and nutritional security.

The effective implementation of the National Agricultural Insurance Policy will result in achievement of specific outcomes that include: improved coordination amongst institutions and an enabling environment that fosters the growth and development

of agricultural insurance; improved development of affordable and accessible agricultural insurance; enhanced the capacity of agricultural value chain actors to enable them cope with risks; generation and use of data to support agricultural insurance and promote research and development, innovation and knowledge management in agricultural insurance.

Policy implementation will require proper coordination of institutions and stakeholders in the industry to implement the outlined policy intervention measures. To achieve a vibrant agricultural insurance, an enabling legal and regulatory framework and fiscal measures such as public premium support and other incentives shall be provided. In addition, an effective policy coordination, monitoring and evaluation framework shall be put in place to track implementation and facilitate review of the policy.

It is expected that the implementation of this policy will unlock the potential of the agriculture sector to enhance uptake of agricultural insurance as one of the options to mitigate on agricultural shocks and thus build resilience amongst the farmers.

Glossary

Agriculture Sector: Means the crops, livestock and fisheries sub sector. The agriculture sector is functionally related to the lands, water, environment, fisheries and cooperative sectors.

Agriculture: For the purpose of this Policy document means Crops, Livestock and Fisheries

Aquaculture: Refers to the controlled cultivation of aquatic organisms such as fish, crustaceans, mollusks, algae and other organisms of value such as aquatic plants.

Artisanal fisherfolk: Fishing communities (traditional/subsistence fishing) who deploy various small-scale, low-technology, low-capital, fishing practices. Their fishing grounds are found in shallow near shore waters.

Emerging livestock means a non-traditional livestock consisting of animal species and including quail, ostrich, guinea fowl and a farmed game animal

Farmer: Refers to a person who grows crops, rears animals or produces aquatic plants and animals. Whenever this document refers to a "farmer" it assumes crop and fish farmers, pastoralists , including all animal and poultry husbandry and fisherfolk.

Insurance: means a contract between an insured (insurance policy holder) and an insurer, where the insurer promises to pay a sum of money to the insured in exchange for a premium, upon the loss or damage, including liability arising from occurrence of the specified insured event.

Insurance Business: means the business of undertaking liability by way of insurance (including reinsurance) in respect of any loss of life and personal injury and any loss or damage, including liability to pay damage or compensation, contingent upon the happening of a specified event.

Livestock- Domesticated animals raised in agricultural setting to produce food and industrial commodities such as meat, eggs, milk, fur, wool, leather and draft power etc. The animal include cattle, camel, sheep, goats, pig, poultry, lagomorphs, companion animals, draught animals, bees, any emerging livestock or any wild animal, bird or reptile in a state of captivity and includes their young ones.

NDVI: refers to Normalized Difference Vegetation Index, a measure of the state of plant health based on how the plant reflects light at certain frequencies. The NDVI reading is used to assess forage availability (or shortage in drought) for determination of thresholds for triggering payouts.

Pastoralism: is the extensive livestock production system that involves the tracking and use of forage and water across a given landscape (normally rangelands). It is a flexible and sustainable approach to livestock production that involves herding locally adapted breeds by making use of existing natural resources such as water and forage in variable environmental conditions. It is characterized by mobility of the livestock and fairly low inputs in relation to output.

Small holder farmer/farming; -describes a farming method using very little land (usually around 1-10acres) and often is associated with very little to no expensive technologies.

Moral hazard: Moral hazard is the risk that one party has not entered into an insurance contract in good faith or has provided false details. This occurs when a farmer/pastoralist/fisher folks fails to attend to field agronomic practices because he/she has procured an insurance cover.

Basis Risk: This refers to a situation where farmers who are due for pay are not paid whereas the ones who do not qualify for pay are paid.

Acronyms

AfRSDRR	Africa Regional Strategy for Disaster Risk Reduction
AIBK	Association of Insurance Brokers of Kenya
AKI	Association of Kenya Insurers
APSK	Animal Production Society of Kenya
ASTGS	Agriculture Sector Transformation and Growth Strategy
AYII	Area Yield Index Insurance Programme
CBOs	Community Based Organizations
CBPP	Contagious Bovine Pleuro-Pneumonia
CCPP	Contagious Caprine Pleuro-Pneumonia
DRF	Disaster Risk Financing
FBOs	Faith Based Organizations
GDP	Gross Domestic Product
GMR	Guaranteed Minimum Return
IBLI	Index-based Livestock Insurance
ICT	Information Communication Technology
IIK	Insurance Institute of Kenya
ILR	International Livestock Research Institute
IRA	Insurance Regulatory Authority
KESAP	Kenya Society of Agricultural Professionals
KIHBS	Kenya Integrated Household Baseline Survey

KLIP	Kenya Livestock Insurance Programme
KNBS	Kenya National Bureau of Statistics
KVA	Kenya Veterinary Association
KVB	Kenya Veterinary Board
M&E	Monitoring and Evaluation
MNLD	Maize Lethal Necrosis Disease
MoALD	Ministry of Agriculture and Livestock Development
MPCI	Multi-peril Crop Insurance
MTP	Medium-Term Plan
NDVI	Normalized Difference Vegetation Index
NGOs	Non-governmental Organizations
SOCOA	Society of Crop Agribusiness Advisors of Kenya
TASK	The Actuarial Society of Kenya
TLUs	Tropical Livestock Units
WII	Weather Index Insurance



Chapter 1: Introduction

1.1 Background

Kenya's economy is predominantly dependent on the agricultural sector which contributes about 23 percent directly to the Gross Domestic Product (GDP) and an additional 27 percent through manufacturing, distribution and service-related sectors. The sector contributes 65 percent of the Country's total exports and employs 60 percent of the population (KNBS, 2020). Despite experiencing mixed performance over the last decade, the sector remains the mainstay of Kenya's economy.

According to the 2015/16 Kenya Integrated Household Baseline Survey (KHIBS), 76 per cent of Kenyans live in rural areas and derive their livelihoods directly or indirectly from agriculture.

The Agricultural Sector has recorded impressive growth since independence though many challenges persist in achieving food and nutrition security. These challenges include the none transformation of agriculture from subsistence to commercial production; poor access to markets; limited use of inputs efficiently and low access to agricultural credit and insurance. Risks and uncertainty are inherent in agricultural production systems because producers are exposed to various disasters owing to vagaries of weather, biological perils that include pests and disease outbreaks, idiosyncratic risk such as hail and fire and systemic risks covering large areas. These disasters severely disrupt agricultural production resulting in vulnerability of producers and other value chain actors.

It is estimated that 45 per cent of the rural population has insufficient food to meet their daily nutritional requirements. The food insecure population lack access to adequate food with a higher number consuming food of poor nutritional value and quality. Incidences and prevalence of food insecurity are more severe in Arid and Semi-Arid areas due to inadequate resource endowment and agricultural risks such as pests, diseases, market price volatility and weather-related risks. For their survival, the food-poor depend on relief food provided by the government and Non-Governmental Organizations. It is estimated that the government spends around Kshs. 4.5 to 7 Billion annually on famine relief. This amount is higher when famine relief support by Non-Governmental Organizations is taken into account. The scenario calls for appropriate intervention measures including increased investment in agricultural risks management.

The Medium-Term Plan (MTP) III (2018-2022) outlines the programmes that the Government is implementing to achieve Kenya Vision 2030. Under the “Big Four Agenda” agricultural insurance is prioritized as an intervention measure for contributing towards the 100 per cent food security and nutrition pillar. The ASTGS advocates for use of insurance as one way to address agricultural risks.

1.2 History of Agricultural Insurance

Agricultural insurance started in Europe over two centuries ago and was offered to private owners to protect against livestock mortality and named peril events such as crop hail. In Kenya, agricultural insurance dates back to 1942 when the colonial government created the Guaranteed Minimum Return (GMR) scheme covering selected crops. This scheme was discontinued in 1978 following years of poor performance and unsustainable financial losses. Between the late 1970s and mid-2000, there was very little interest by private commercial insurers in Kenya in the provision of crop and livestock insurance. However, indemnity-based covers for the large-scale commercial farmers and dairy farming sub-sector were offered by insurers on a limited scale.

From mid-2000 there was considerable re-emergence of interest in agricultural insurance targeting farmers, largely stimulated by:

- i. An international re-insurer that actively worked with the local insurance industry to develop traditional and index-based crop and livestock insurance products and programs
- ii. International development agencies that provided technical and financial assistance to the interested Kenyan Insurers to develop new index-based crop and livestock insurance programs

The Insurance Act Cap 487 of the Laws of Kenya was enacted in 1984 and operationalized in 1987. The Act provides a framework for regulation, supervision and development of the Insurance industry in Kenya. The Crops Act 2013 provides for establishment of Crop insurance programs but the administration of agricultural insurance remains under the Insurance Act.

1.3 Justification for an Agricultural Insurance Policy

Over 70% of Kenyans depend on agriculture for their livelihoods. Exposure to various Agricultural risks leads to reduced crops, livestock and fish production and diminished livelihoods. This threatens agricultural production, food security and the lives of rural farmers and fisher-folk. Mitigation against agricultural risks and resilience building measures are critical in reducing vulnerability of farmers to these risks and improving food security. Agricultural insurance has been identified as one of the ways to de-risk the agricultural sector and reduce vulnerability of farmers and other value chain actors.

The development of the National Agricultural Insurance Policy is taking place against the background of a myriad of risks exposure to agricultural production, inappropriate agricultural insurance products, unsustainable financing models for agricultural insurance, inadequate agricultural insurance data and insufficient legal and regulatory framework. In addition, the private sector undertaking agricultural insurance has been reluctant to fully embrace the sector due to attendant risks. These inadequacies have resulted to low investment and uptake of agricultural insurance. There is need for formulation of a policy to address the challenges listed above.

The National Agricultural Insurance Policy will strengthen and accelerate investment in Kenya's Agricultural production systems through integration of Agricultural insurance.

1.4 Policy Vision, Mission and Scope

1.4.1 Vision

An innovative and sustainable agricultural insurance

1.4.2 Mission

To integrate insurance in all agricultural production systems

1.4.3 Scope of the Agricultural Insurance Policy

The agricultural insurance policy will be operational in the territory of Kenya covering all agro-ecological zones or where agricultural production may potentially occur. The policy targets farmers who grow crops, rear animals or produce aquatic plants and animals. Insurance will be offered against agricultural risks. The policy recognizes insurers, insurance intermediaries and insurance service providers as registered under the Insurance Act and other written laws as players in agricultural insurance.

1.5 Policy Objectives

1.5.1 Overall objective

To build resilience and promote investments in agriculture by fostering development and growth of agricultural insurance for sustainable food and nutritional security.

1.5.2 Specific Objectives

Support the development and growth of agricultural insurance by:

- i. Facilitating development of affordable, innovative and accessible agricultural insurance
- ii. Enhancing capacity building and awareness creation on agricultural insurance
- iii. Facilitating generation and use of data to support agricultural insurance
- iv. Promoting research and development, technology, innovation and knowledge management in agricultural insurance
- v. Creating an enabling legal, regulatory and institutional framework that stimulates participation and collaboration among stakeholders in agricultural insurance



<https://www.mmonline.org/news/severe-drought-grips-kenya/>

Chapter 2: Situational Analysis

2.1 Background to the Insurance Industry

The insurance market in Kenya is predominantly private sector-based. In 2020, there were 57 insurance companies, 204 insurance brokers, 18 Re-Insurance companies and 11,273 licensed insurance agents dealing with both life and nonlife insurance businesses (Insurance Industry Report, 2020). The interests of the private insurance sector are represented through the Association of Kenya Insurers (AKI) which was established in 1987 as a consultative and advisory body for the private insurance industry. Insurance business is governed by the Insurance Act Chapter 487 of the laws of Kenya. The Act was amended in 2007 to create the industry regulator, the Insurance Regulatory Authority.

Kenyan insurance industry remains concentrated in the urban areas with Nairobi dominating with 65.1% and 77% of life and non-life insurance premiums respectively as at the end of 2018. The overall insurance penetration stands at 1.9% of the GDP contributing KSh. 232.3 Billion (IRA, annual report 2020).

2.2 Agricultural Insurance Market

Agricultural insurance in Kenya is an emerging line of insurance business. Over the past few years there has been growing interest in agricultural insurance with a number of insurance providers offering various products for both the crops and livestock sub-sectors. In 2014 the Government of Kenya increased interest in agricultural insurance and has from then partnered with private sector actors with an aim of making insurance available and affordable to farmers. A few companies in Kenya undertake agricultural insurance. Agricultural insurance covers less than one percent of the total insurance premiums. Agricultural insurance is classified as miscellaneous by the Insurance Act. Some of the agricultural insurance products available in the Kenyan market include Crop and Livestock Insurance.

Crop Insurance covers crops against physical loss or damage and includes covers against fire, windstorm, excessive rainfall, drought, pests and diseases (locusts, armyworm and fall-worm). Livestock Insurance provides cover against vagaries of weather, biological perils (pests and diseases) individual peculiar risks (fire, hails, theft), death and systemic risks covering large areas such as Tsetse flies. Fisheries insurance covers theft, floods, drought, disease, price fluctuations and fisheries equipment damage.

2.3 Status of Agricultural Insurance

There are two broad categories of agricultural insurance in Kenya. These include the indemnity-based insurance and index-based insurance. Kenya has a relatively long history of indemnity-based agricultural insurance. Up to 2013, there was a small but innovative private sector agricultural insurance market in Kenya. Currently all

general insurers are licensed to underwrite agricultural insurance, however by 2020 there were only eight companies underwriting agricultural insurance. The level of Agricultural insurance uptake and penetration is still very low in Kenya with less than 1% of farmers and pastoralists purchasing insurance.

2.3.1 Livestock Sub-sector

Livestock insurance services in Kenya are underdeveloped despite the fact that the livestock industry contributes significantly to the GDP. Currently only a few firms offer livestock insurance covering high value animals such as dairy cattle, horses and companion animals. Dairy cattle form the main insured class in the livestock subsector. Under conventional insurance, various perils are bundled together under one cover and losses are assessed individually to determine the compensation under the cover.

Since 2000, there have been major innovations by agricultural insurance practitioners to use parametric or index-based solutions to insure against production losses in pasture, all of which use satellite imagery to measure the Normalized Difference Vegetative Index (NDVI) in pasture. The Index insurance is a single peril policy against adversities of drought/forage scarcity. In 2010 ILRI piloted the Index-based Livestock Insurance (IBLI) contract in Marsabit County. In 2014 the Government of Kenya partnered with ILRI and private sector actors to extend Kenya Livestock Insurance Programme (KLIP) in the Counties of Wajir and Turkana, then later to six other ASAL counties. Under KLIP, the government provides 100 percent premium support for up to five Tropical Livestock Units (TLUs) for each selected pastoralist beneficiary.

2.3.2 Crops Sub-sector

Conventional crop insurance products are mainly marketed to the commercial crop farmers, while weather index insurance (WII) products, developed in collaboration with development partners, target subsistence and semi-commercial crop producers. Through support of the World Bank, Kenya has also developed Area Yield Index

Insurance Programme (AYII) that targets subsistence and semi-commercial farmers. The AYII is being implemented under a Public Private Collaboration model that was initially piloted on maize production in Bungoma, Nakuru and Embu counties in 2015 and by 2020 had expanded to 37 counties. Under this product, the government provides 50 percent premium support, targeting farmers with farm size ranging from 0.5 to 20 acres. In addition, the government supports data collection, farmers' mobilization, awareness creation, capacity building and coordination of stakeholders.

2.3.3 Fisheries Sub-sector

Insurance packages exist for large commercial production entities. For instance, in industrial fishing, Flag States are encouraged to promote access to insurance coverage by owners/charterers of fishing vessels to protect the crew and their interests. Large scale commercial fish farm owners are also encouraged to insure their enterprises against the inherent risks, albeit expensive non-specific insurance packages. For the artisanal fisheries and aquaculture, a suitable insurance package is yet to be developed. In addition, there is low interest in provision of insurance services to artisanal fishing communities/farmers, as they are considered as high risk enterprises due to:

- i. High costs of serving often remote fishing villages and fish farms
- ii. Difficulty of dealing with a fishing population which more often has no access to other financial services (credit/banks)
- iii. Relatively small premiums collected from individual fisherfolks
- iv. Related high administrative and monitoring costs
- v. Low levels of education of artisanal fisherfolks

The National Oceans and Fisheries Policy 2008 is being revised with the objective of encouraging more private sector investment in the Fisheries and Blue Economy. The revision has amongst other proposals put forward, the adoption of risk management measures in the sub-sector that call for promoting the development of appropriate Fisheries, Aquaculture and Blue Economy insurance packages as one of the safety nets available for the players in the industry.

2.4 Analysis of Key Issues in Agricultural Insurance

Hazards affecting the Agricultural Sector push better-off farmers into poverty, and the already poor into destitution, that take years to recover from. The disasters can also make it more costly or simply impossible for farmers to access credit facilities, limiting opportunities for agricultural producers to invest in better tools and technologies to increase productivity. These farmers are therefore unable to transit from subsistence to commercial farming hence curtailing overall Agricultural development and contribution to GDP.

2.4.1 Agricultural Risk Exposure

The Kenya Agricultural sector is increasingly vulnerable to risks especially extreme and increasing weather variability. Erratic rainfall punctuated by severe droughts is the biggest risk facing the Kenya agricultural sector. Intermittent seasons of high rainfall resulting to floods followed by seasons of drought continue to characterize Kenya's agricultural environment.

The frequency of severe droughts has increased from a 5 to 7-year cycle to a 2 to 3-year cycle. Droughts have a direct impact on the economy and affect the linkages between different sub-economies, ecologies and communities. Severe drought occurring with increasing frequency over the past decade has caused profound effects on crop, livestock and fisheries production in the country. For instance, during the drought of 2008 to 2011, the Kenyan economy lost an estimated KSh. 968.6 billion. The livestock sector incurred 72 percent of that loss, with 9 percent of livestock having been lost. Estimated crop losses amounted to more than KSh. 121.1 billion (Tegemeo Institute, 2018). The Government of Kenya spent KSh. 4.2 Billion on post disaster interventions. Key crops experienced significant losses in one out of three years as a result of adverse risk events between 1980 and 2012. Combined, these crop-loss events resulted in drops in Agricultural GDP of 2 percent to 4.2 percent.

Besides weather related risks, pest and diseases pose a significant threat to Kenyan farmers. Animal diseases particularly East Coast Fever, Foot and Mouth Disease, CBPP and CCPP have direct effect on livestock productivity and trade. Pest incidences including ticks, tsetse, desert locusts and armyworms affect livestock output and feed availability. The losses associated with diseases outbreaks, predation and rustling, drought effects and milk yield loss have received little attention from insurers with less than one percent annual gross written premiums reported in agricultural sector (IRA Annual Report, 2020).

With the increase in changes in climate, there is a noted increase in notifiable crop diseases and pests such as Maize Lethal Necrosis Disease in 2010-2013, fall armyworms in 2017, Tuta absoluta in tomato production and the desert locusts attack in 2019. Localized perils like frosts, hailstorms and fires and systemic risks covering large areas also affect the farmers exposing them to more danger. The risks involved in fisheries subsector include drought effects, storms that result in destruction of fishing gear and vessels, loss of lives, piracy and fish diseases.

The Fisheries sub-sector provides 500,000 direct jobs and supports about 2 Million people indirectly in Kenya. By 1998 for instance, Lake Victoria fisheries accounted for 90 percent of all the fish landed in Kenya valued at USD 80 Million (Kshs. 8.6 billion at the current exchange rate), with an export value of USD 35 Million (Kshs. 3.8 billion at the current exchange rate). This was mainly attributed to the Nile Perch fishery that resulted in the setting up of 35 fish processing plants around the Lake. With the closure of the European market to Kenyan fish and fisheries products that lasted between 1997 and 2000, 13 fish processing plants folded up occasioning the loss of 1000 jobs and collapse of fisheries related businesses in Kisumu and the surrounding areas that had a daily turnover of KSh 25 million. In addition, the heavy rains that were experienced in early 2020 caused flooding in various parts of the country that resulted in the destruction of 149,600 ponds countrywide. A total of 1750 metric tonnes of fish valued at KSh 777 Million.

2.4.2 Data for Agricultural Insurance

Agricultural data is one of the key inputs required for successful agricultural insurance programmes. Data is required in sufficient, reliable and verifiable forms to support various stages of risk assessment, product design, costing, loss assessment, and payout determination. In addition, data is critical for enhancing transparency and dispute resolution that may arise from either basis risk or moral hazards. Sustainability of agricultural insurance programmes therefore depends on ability of the involved agencies to generate and utilize reliable data.

Kenya has several pieces of legislations that address data collection, storage, confidentiality, and data utilization. These include the Statistics Act 2006 (Revised 2019), The Access to Information Act 2016, the Data Protection Act 2019, the Computer Misuse and Cybercrime Act 2018, among others. Stakeholders are expected to observe the existing laws and regulations while collecting and using agricultural insurance data. The government is responsible for preparation and enforcement of relevant regulations and guidelines to ensure stakeholders' conformity with the laws.

The Government is responsible for collection and provision of most of the agricultural insurance data as a public good. The bulk of such data is collected by agricultural departments, agricultural state corporations, local and international research organizations, universities, development partners, farmer organizations and others by private sector agencies. However, capacity of data management is inadequate in terms of funding, staffing and training. Data collection and dissemination is mostly analog and disintegrated. The government has the mandate to oversee the quality of agricultural data, including provision of guidelines and standards for data collection and dissemination as well as enforcement of laws and regulations on data management.

Besides the primary yields data, ancillary data related to production are required for monitoring the situation to enable trigger the desired action. Such ancillary data include: agro-meteorological, early warning data including traditional knowledge for early warning and coping mechanisms. Where production and yields data are not

reliable, the supplementary data such as rainfall or NDVI have also been used as proxy commodity yields indicators to deliver various types of weather index-based insurance products. In Kenya, management of such ancillary data is undertaken by several independent agencies responsible for weather, geospatial and remote sensing.

The main data required for agricultural insurance include:

- i. Long term historical yield and production data for insurance product development
- ii. Yield and production data for loss assessment and improvement of the quality of historical data for subsequent years
- iii. Data for development of homogenous production zones
- iv. Data on wild fish stocks and aquaculture zones
- v. Agro-meteorological data to support weather-based index insurance
- vi. Data on plant and animal health
- vii. Georeferenced data to support sampling of farmer, pastoralists and fisherfolk along various agricultural value chains
- viii. Data to support seasonal enterprise condition monitoring, including early warning data, farmers and pastoralist scale of operations and vulnerability status and market prices
- ix. Data on livestock identification and traceability, rustling and predation
- x. Indigenous technical knowledge on early warnings and coping mechanisms for producers

2.4.3 Agricultural Insurance Product Development, Distribution and Uptake

Development of agricultural insurance products is nascent and therefore remains limited. This is because development of agricultural insurance products that meet various client needs in a predominantly smallholder/pastoral based agricultural

system is challenging. Insurers continue to face a number of challenges and therefore shy away from venturing into agricultural insurance. In spite of the several years of investment in product design and development, very few of these programs have achieved widespread acceptance and uptake. The start-up costs associated with development of products eventually translate into expensive premiums thus making smallholder farmers unable to pay for these commercially priced agricultural insurance products. Further, conflicting cultural and religious beliefs are a barrier to uptake of agricultural insurance products. In addition, farmers have poor understanding of agricultural insurance and this reduces demand and at times may result in purchase of inappropriate products.

By 2020, the following insurance products were being offered in Kenya:

a. Index-based Insurance

These include:

- i. Area Yield Index Insurance (AYII)** - A crop insurance product based on average losses at the regional level, rather than farm level. The pay-outs are based on crop cutting experiments. Its transaction cost, basis risk and claim settlement time are medium. However, the moral hazard level is low
- ii. Weather Index Insurance (WII)** - A crop insurance based on weather parameters such as rainfall, temperature, or soil moisture correlated with farm-level yields or revenue outcomes. Its transaction cost, moral hazard level and claim settlement time are low with high basis risk
- iii. Index based Livestock insurance** - A Livestock insurance product with high initial infrastructure development cost, low transactional costs, medium basis risk and low moral hazard

b. Conventional/Commercial insurance

This primarily relies on the traditional agency-based distribution model(s) which is a one on one interaction between the insurance companies and consumers.

- i. Multi-peril crop insurance (MPCI)** - A traditional indemnity insurance product against all perils at farm level in which the pay-outs are determined through a farm-level loss assessment process. MPCI transaction cost and

moral hazard level are high but basis risk is low and claim settlement time is medium

- ii. **Individual animals' insurance** where an animal keeper insures specified risks for a particular animal

2.4.4 Agricultural Risk Financing

Agricultural insurance risk financing aims at achieving the least-cost coverage for an insurer's losses while ensuring post loss financial resource availability. As the market for agricultural insurance is fairly small and not profitably sustainable, it requires a well-structured risk financing model.

By 2020, agricultural insurance was being carried out on a limited scale due to various reasons that inhibit the development of insurance markets that include lack of capacity to carry insurance risk, especially for catastrophic risks, expensive reinsurance and low incomes. Access to international market in Kenya is limited especially for agricultural insurance because of the narrow business opportunities that make it difficult to attract international companies. Incomes for the majority of the population are absorbed by basic necessities, such as food and housing. Where insurance is available, health insurance and life insurance are usually given higher priority over agricultural insurance. In many cases, rural households involved in agricultural activities do not generate enough profits to cover the costs of agricultural insurance.

In relation to traditional crop indemnity insurance, the costs of assessing losses are usually high. The target market, characterized by subsistent and low income insured farm units, pays low premiums that are insufficient to cover loss assessment costs. Though index insurance lowers the transaction cost, it carries extremely high development and other start-up costs translate into high premiums.

To achieve accelerated agricultural development and self-sufficiency in food production and general economic growth, the government has implemented a number of programs aimed at enabling farmers access finance.

These programs were aimed at increasing food production and food security through:

- i. Seasonal credit provision
- ii. Agricultural credit-insurance component to protect farmers against production and yield loss
- iii. System of guaranteed minimum prices for crop and livestock output

Some of the instruments in use within the country include:

a. Sovereign Disaster Risk Financing

Market-based risk transfer mechanisms at the sovereign and macro level are part of Kenya's portfolio of risk financing instruments. The sovereign instruments are appropriate in cases where the micro level interventions are overwhelmed. Improving sovereign financing capacity through strengthening and expanding the National and County Government's portfolio of Disaster Risk Financing (DRF) instruments is one of the strategies in entrenching, sustaining and complimenting the livestock insurance.

b. Government support to agricultural risk financing

The government through the Ministry of Agriculture and Livestock Development is financing the Kenya Livestock Insurance Program (KLIP) in eight ASAL Counties. The livestock covered are camels, cattle, sheep and goats. The government pays the full premium for households covered by the program and plans are underway to progress into a partial risk coverage arrangement in the short to medium term.

c. Premium financing

This refers to the lending of funds to a person or entity to cover the cost of an insurance premium. The premium finance company then pays the insurance premium and bills the individual or entity usually in monthly instalments for the cost of the premium. This instrument is currently working in high value livestock enterprises and some crop insurance schemes.

d. Other financing modalities that have worked include

- i. Asset Based Insurance instruments;* this is used in asset rich but cash poor communities where a percentage of their livestock herd is converted into premiums to cover entire herds
- ii. Cost Sharing Schemes;* A portion of the cost of premiums is met by policy-holders while the balance is catered for under existing subsidy programs. The best practice is where the local communities carry a bigger proportion of the cost. This increases impact and creates ownership of the programs

An appropriate financing model or mechanism for agricultural insurance, combined with other measures of risk reduction, can greatly contribute to short and long-term development of self-sufficiency in food production.

2.4.5 Policy, Legal and Institutional Framework for Agricultural Insurance

Kenya is a signatory to global and regional conventions and instruments on disaster risk reduction including the Sendai Framework for Disaster Risk Reduction, 2015 - 2030; and the Africa Regional Strategy for Disaster Risk Reduction (AfRSDRR) as part of Africa Union Agenda, 2063. The two instruments are aimed at reducing the vulnerability of populations and strengthening resilience.

The Constitution of Kenya 2010, Article 43, guarantees every person the right to be free from hunger and to have adequate food of acceptable quality. Agricultural related risks expose producers to losses due to limited risk mitigation measures thereby threatening the right to freedom from hunger.

One of the priorities of the Government in the Vision 2030 is to ensure access, efficiency and stability of insurance as fundamental to economic transformation of the country. This has been identified in the various sectoral policies as core in the development and implementation of agricultural insurance. These policies include; the Agricultural Policy, the Livestock policy, Veterinary Policy, National Oceans and Fisheries Policy and the ASTGS.

The Livestock policy, 2020 advocates for increased access to insurance by value chain players to mitigate against inherent risks in livestock production systems, providing animal owners with Insurance is one way of effectively protecting them from risks. Similarly, the Veterinary Policy, 2020 provides support for animal insurance in order to increase investment in animal resources. The National Oceans and Fisheries Policy 2008, proposes the adoption of risk management measures in the sub-sector that will promote the development of appropriate Fisheries, Aquaculture and Blue Economy insurance packages as one of the safety nets available for the players in the industry.

A number of Laws have been enacted to promote agricultural insurance in Kenya. These include the Insurance Act Cap 487, the Crops Act No.16, of 2013, Kenya Deposits Insurance Act (No.10 of 2012) and the Kenya Re-insurance Corporation Act (No.9 of 1997).

The Insurance Act Cap 487 of the Laws of Kenya provides for agricultural insurance as a subclass of insurance under the miscellaneous category. The Crops Act 2013 provides for crop development, pest and disease control, climate change resilience and establishment of crop insurance.

The National Agricultural Insurance policy is aligned to the above policy and legal framework though the framework is not expressly supportive of the growth and development of the agricultural insurance. In this regard, therefore, there is need to develop an appropriate legal and regulatory framework to provide an enabling environment for expanding agricultural risk management options, enhance capacity to increase productivity, stabilize agricultural income and reduce food insecurity. This will encourage more players to enter the agricultural insurance market hence offer more options to the consumers. The key actors in Agricultural Insurance include; the Ministry, State and County departments responsible for Agriculture at national and county level; the Kenya National Bureau of Statistics (KNBS); Insurance Regulatory Authority (IRA); Insurance Companies, Re-insurers, Insurance Intermediaries, Association of Kenya Insurers (AKI); Insurance Service Providers, Financial Institutions/Banks; Agro-dealers; farmers' associations; farmers; and training and research institutions.

2.5 Challenges in Agricultural Insurance

2.5.1 Agricultural Risk Exposure

Agricultural risk exposure to farmers is caused by extreme weather events (floods, droughts, frost), climate change, predation, cattle rustling, pests and diseases, idiosyncratic risks (fires, hailstones, landslides, earthquakes) and crop damage by wildlife among others. The reduction of the farmers' exposure to agricultural risk is limited by the following challenges:

i. Limited access to information on and inadequate risk assessment and profiling

Risk assessment is generally quite expensive, requiring heavy investment. In most cases the government and private sector organizations carry out risk assessment on a minimal scale. This information is not easily accessible since the private sector does risk assessment for their own consumption. This means farmers, pastoralist and fisher-folk remain unaware of the intensity of risks and are unable to transfer the risks or mitigate against their effects. Further, there has been poor collaboration among partners involved in risk assessment and profiling which leaves gaps while some actors duplicate roles.

ii. Inadequate capacity for risk assessment and profiling

There is inadequate capacity among stakeholders to undertake risk assessment and profiling. This makes the farmers, pastoralist and fisher-folk unable to make informed decisions on the choice and uptake of insurance products.

iii. Weak early warning system

Approaches to risk assessment and profiling tend to focus on post-disaster interventions resulting in lengthy risk analysis and non-transference of risks. In addition, there is inadequate early warning system that can provide reliable information for decision making by stakeholders.

iv. Multiple risks

Agricultural production is faced with a myriad of risks which make insurance companies apprehensive of underwriting the risk. Further the heterogeneity in the agricultural management make underwriting complex. Consequently, the premium costs remain high and accessibility to insurance products a challenge.

2.5.2 Agricultural Insurance Data

Data is required for product design and development, loss assessment, homogenous production zones and premium support targeting. However, agricultural insurance data management is faced with the following challenges:

i. Inadequate and unreliable data for agricultural insurance

Agricultural insurance programmes require reliable historical data at the lowest administrative levels. Availability and accessibility to this data in usable digital formats is affected by inadequate data collection, processing, storage and dissemination. In addition, the national and county governments have inadequate technical capacity, validation ability, comprehensive farmer database, and limited spatial data infrastructure.

ii. Weak coordination

There is weak coordination and linkages between different data systems in data collection and dissemination leading to significant redundancy, duplication and unreliability.

iii. Low application of Information Communication Technology (ICT)

Kenya's agricultural data management is mostly paper based (analog). Emerging technologies and innovations such as smart/mobile phone and GIS are yet to be adopted on a significant scale for use by government and private agencies.

2.5.3 Agricultural Insurance Products Development, Distribution and Uptake

The main issues affecting products development, distribution and uptake of agricultural insurance in the country include:

i. Inadequate capacity to develop appropriate agricultural insurance products

There are very few skilled agricultural insurance underwriters in the insurance sector. The sector is heavily dependent on international consultants and reinsurers for product design, actuarial and rating guidance.

ii. Inappropriate distribution channels

Insurance requires a lot of trust, reliability effectiveness in the distribution channels used. While Insurers use the traditional insurance channels of professional insurance intermediaries, potential policyholders, key among them the farmers have better trusted partners like their local chiefs, agro-dealers, shopkeepers, cooperatives, lending institutions among others. Additionally, there is limited adoption of technology in distribution of agricultural insurance products, thus narrowing the scope of the distribution.

iii. Poor understanding of insurance

There is general lack of awareness and understanding of the role and limitations of agricultural insurance among the various players in the agricultural value chain including policy makers, farmers, agro-dealers, financial institutions, and insurers. This may lead to unmet expectations, resulting in mistrust, limited supply, demand and uptake of insurance.

iv. Low income and conflicting religious and cultural beliefs

Most smallholder farmers' do not generate enough income to cover insurance costs given their hierarchy of needs. In addition, some insurance products may not meet cultural and religious acceptance beliefs.

2.5.4 Agricultural Risk Financing

Sustainable agricultural insurance requires adequate risk financing. The main challenges contributing to inadequate agricultural risk financing in Kenya include:

i. Inadequate capacity by underwriters to cover risks

This has been occasioned by lack of financial capacity by insurers to underwrite agricultural insurance and the slow pace of investment by the government in the insurance subsector. Whereas there exist reinsurance markets with adequate capacities, challenges remain in terms of skills transfer hence the market remains underdeveloped.

ii. High cost of agricultural insurance premiums

Agricultural insurance faces challenges such as multiple perils, high cost of collecting data, risk assessment and distribution among others. These challenges make agricultural insurance premiums to be costly hence discouraging investments in agriculture. In addition, the high costs of initial products development, especially for index insurance and high claims assessment costs render agricultural risk financing an expensive venture for insurers.

iii. Inadequate risk financing infrastructure

Agricultural insurance market based risk financing infrastructure is not adequately developed in some areas of agricultural production hence hindering access to risk financing.

iv. High frequency of catastrophic risk

Agricultural sector faces catastrophic risks which can lead to huge losses that strain the capacities of local insurance companies.

v. Inadequate incentive measures

Kenyan agriculture is dominated by smallholder farmers and characterized by low incomes which are absorbed by basic necessities. Majority of these farmers view the insurance premiums as expensive affecting their uptake of agricultural insurance as a priority option in risk management. The uptake of agricultural

insurance will largely depend on a range of interventions and incentive structures without which farmers will remain excluded from benefiting from agricultural insurance.

Further interventions may be required for insurers and other providers along the value chain to encourage them to venture into agricultural insurance despite its high-risk nature.

vi. Legal and Regulatory Framework

The classification of agricultural insurance in Insurance Act Cap 487 as a sub class of miscellaneous insurance under general insurance business, makes it difficult to specifically target interventions in agricultural insurance. This legal and regulatory framework is therefore not adequate to foster growth and development of agricultural insurance.

There is no legislation to specifically support development of agricultural insurance despite its unique nature from product development, distribution and claims management. This is a major disincentive for private insurers to venture into agricultural insurance given its risky nature.

For any risk to be placed out of Kenya, authorization must be obtained from IRA. This requires demonstrations for inability for local insurance to absorb the risk, which may not be easy in agricultural insurance.

Despite existence of various legislations, the operating environment has not been sufficiently enabling for development of agricultural insurance. For this reason, agricultural insurance remains underdeveloped with limited participation of private insurers as farmers continue to be exposed to agricultural risks



Compensation

Chapter 3: Policy Interventions

3.1 Agricultural Risk Exposure

This policy focus will be on reduction of agricultural risk exposure through addressing inadequacies in risk assessment and profiling, strengthening early warning systems, coupled with enhancing technical and financial capacities in the insurance industry.

Policy Statements

a. The National Government will

Facilitate development of capacity for risk awareness, assessment and profiling.

a. The County Governments will

Develop Capacity for risk awareness, assessment and profiling

b. The National and County governments in collaboration with stakeholders will

- i. Support and undertake risk assessment and profiling
- ii. Develop systems for risk assessment and profiling
- iii. Develop and implement Early Warning System
- iv. Promote innovative insurance products for risk transfer
- v. Develop mechanisms to characterize areas and value chains for agricultural insurance

3.2 Agricultural Insurance Data Management

Data is critical for planning and efficient management of agricultural insurance programmes. Consequently, the policy will focus on the following;

Policy Statements

a. The National Government will

- i. Develop standards and guidelines required for agricultural insurance data
- ii. Enforce compliance to standards and guidelines for agricultural insurance data

b. The County Governments will

- i. Enforce compliance to standards for agricultural insurance data
- ii. Implement guidelines for agricultural insurance data

c. The National and County Governments in collaboration with stakeholders will

- i. Facilitate access to timely, reliable agricultural insurance data in usable formats while adhering to data confidentiality and security legislations
- ii. Promote adoption of application of Geo-Information based technology in agricultural insurance

- iii. Strengthen capacity for agriculture insurance data
- iv. Establish and strengthen agricultural insurance digital data repository systems
- v. Enhance coordination and management mechanism of agricultural insurance data for reliability and access

3.3 Agricultural Insurance Product Development, Distribution and Uptake

Agricultural insurance product development, distribution and uptake are central to increasing agricultural insurance penetration for target beneficiaries. The policy will focus on the following areas:

Policy Statements

a. National Government will

- i. Facilitate capacity building in development of agricultural insurance products
- ii. Enhance support to research on agricultural insurance products development and distribution channels

b. The County Government will

Promote uptake of agriculture insurance through building public awareness on agricultural insurance products.

c. National and County Governments in collaboration with stakeholders will

- i. Develop capacity in agricultural insurance products
- ii. Support development of innovative, cost effective and appropriate agricultural insurance products
- iii. Promote access, distribution and uptake of agricultural insurance products
- iv. Enhance coordination and management mechanism of agricultural insurance data for reliability and access.
- v. Promote authorization of members of relevant professional bodies to support agricultural insurance

3.4 Agricultural Risk Financing

Innovative measures are required to broaden and deepen agricultural risk financing options for various actors in the sector to improve the sustainable supply and uptake of agricultural insurance products.

Policy Statements

a. The National Government will

Facilitate development of innovative agricultural insurance financing instruments.

b. County Government will

Develop farmers' support mechanisms for uptake of agricultural insurance.

c. The National and County Government will

- i. Promote the use of agricultural insurance pools where appropriate
- ii. Offer incentives to service providers and beneficiaries of agricultural insurance
- iii. Support public private partnership in agricultural insurance
- iv. Establish mechanisms for sustainable agricultural insurance funding, including establishment of agricultural insurance fund

3.5 Legal and Regulatory Framework for Agricultural Insurance

There is need for legal and regulatory reforms in order to create an enabling environment for the development of agricultural insurance.

Policy Statements

a. National Government will

- i. Review and strengthen the legal and regulatory framework to support agricultural insurance including affirmative action
- ii. Develop standards and guidelines for implementation of agricultural insurance programmes

- iii. Promote collaboration with international bodies involved in agricultural insurance for technical support and skills transfer

b. The County Governments will

- i. Develop county-specific enabling legislation to promote agricultural insurance and related services
- ii. Create awareness on the legal provisions to enhance insurance uptake
- iii. Implement relevant provisions of laws and regulations for agricultural insurance

c. The National and County governments will

- i. Strengthen technical and institutional capacity for development of agricultural insurance
- ii. Mainstream agricultural insurance in annual work-planning and budgeting cycles
- iii. Facilitate the coordination, cooperation and collaboration among agricultural insurance stakeholders



Chapter 4: Policy Implementation

4.1 Institutional Structures for Policy Implementation

The implementation of this policy will be undertaken by various Government ministries Agencies and Departments at the national and county level and other players including insurance and re-insurance companies, insurance industry associations, financial institutions, cooperative societies, agro-dealers, farmers' associations, and other non-state actors.

The following actors have been assigned various functions in accordance to this policy:

a. Government Ministries Agencies and Departments at the National and County Levels

In accordance with Part 1 and 2 of the Fourth Schedule of the Constitution of Kenya 2010 on the distribution of functions between the National Government and the County Governments the Transition to Devolved Governments Act, 2012 and Legal Notice No. 137 of 2013, each level of Government shall exercise its mandate as follows:

i. The National Government

The Ministry responsible for agriculture will take lead in the overall coordination of implementation, monitoring and review of the policy. In addition, the Ministry will be responsible for data collection and management, facilitate capacity building, programme formulation and implementation. Other Ministries at national level will support the implementation of the policy in line with their mandates as outlined in executive orders obtaining from time to time. The other ministries will include the ministries responsible for disaster management and relief services; national statistics; finance; interior and coordination of national government and the County Governments.

ii. The County Governments

County Governments will be responsible for implementation and monitoring of agricultural insurance policy at county level. In addition, the counties will carry out capacity building, data collection and management, development and implementation of County-specific agricultural insurance programmes.

iii. Kenya National Bureau of Statistics

Kenya National Bureau of Statistics (KNBS) is mandated by law to be the repository of and management of official statistics, the institution will be responsible for storage of statistics necessary for the implementation of the agricultural insurance.

iv. Insurance Regulatory Authority

The Insurance Regulatory Authority (IRA) is responsible for regulation, supervision and promotion of the development of the insurance industry. The Authority will be responsible for administering the insurance law and protection of the interests of insurance policy holders and beneficiaries.

Private Sector

i. Insurance and Re-insurance Companies

Insurance and Re-insurance companies will be responsible for designing, distributing and marketing of agricultural insurance products, settling of claims and undertaking of re-insurance arrangements.

ii. Insurance Industry Associations

There are several insurance related associations that undertake various functions. Key among these is the Association of Kenya Insurers (AKI) which is a consultative and advisory body for insurance and re-insurance companies. Others are the Association of Insurance Brokers in Kenya (AIBK) and the Insurance Institute of Kenya (IIK). These associations will be responsible for guidance of their respective members and lobbying for uptake of agricultural insurance.

iii. Farmers, pastoralists' and fisher-folk Associations

Farmers, pastoralist and fisher-folk are the targeted primary beneficiaries of agricultural insurance. Their associations and co-operatives will be responsible for farmer mobilization, creating awareness and improving uptake of insurance through enlightening their members on insurance products as well as providing data for agricultural insurance.

In addition, these associations may include bundling insurance in their services.

iv. Agro-dealers and Other Service providers

Agro-dealers and other service providers are the principal outlets for agricultural inputs and advisory services to farmers. These actors will play the critical role of creating awareness, promotion on insurance products and as selling points for policies.

v. Professional Bodies and Associations

Some of the professional bodies and associations that support agricultural insurance include Animal Production Society of Kenya (APSK), Kenya Veterinary Association (KVA), Kenya Veterinary Board (KVB), The Actuarial Society of Kenya (TASK), Kenya Society of Agricultural Professionals (KESAP) and Society of Crop Agribusiness Advisors of Kenya (SOCAA) among others. The professional bodies and associations will be responsible for providing relevant technical information required in product development by insurance companies. In addition, they will develop and enforce code of conduct amongst the members.

vi. Financial institutions

Banks and other financial institutions may use agricultural insurance policies as collateral for agricultural credit. The institutions may also distribute and offer advice on agricultural insurance products and services. These institutions can bundle agricultural insurance products with agricultural credit.

vii. Training and Research Institutions

These institutions will be responsible for capacity development, innovation and knowledge management and creating awareness on agricultural insurance among stakeholders.

viii. Insurance Intermediaries

Insurance intermediaries will be responsible for designing, distributing and marketing of the insurance products. The intermediaries include insurance agents, brokers and bank assurance.

ix. Insurance Service Providers

Insurance service providers offer technical services to the insured and insurance companies. They include but are not limited to risk managers, loss adjusters, calculating agents, crop cutting agents, insurance surveyors, investigators and claims settlement agents.

x. Development Partners

Development partners partner with both government and non-state actors to provide technical assistance and financial support for the implementation of the policy.

xi. Other Non-state Actors

These include Non-governmental Organizations (NGOs), Community Based Organizations (CBOs) and Faith Based Organizations (FBOs) among others. They will create awareness on agricultural insurance, financial support and advocacy.

4.2 Funding for Policy Implementation

The two levels of Government, the various State Agencies and Departments at the two levels of Government and all non-state actors with responsibility over various interventions specified in chapter 3 and implementation roles specified in section 4.1 will continue to mobilize resources for undertaking the various policy actions. In addition, collaborative and partnerships will be forged between and among various institutions using resources as shall be mutually agreed.

Government will support programmes that are targeted at deepening insurance penetration and uptake so as to mainstream agricultural insurance as part of the normal risk mitigation measures in farming.

4.3 Monitoring and Evaluation

Monitoring and evaluation will be critical in assessing implementation of agricultural insurance policy. A Monitoring and Evaluation (M&E) framework will be developed to track implementation progress through data collection, collation and analysis. Information sharing, decision making and periodical reviews will be done to address any new challenges and emerging issues for decision making.

The National and County governments in collaboration with stakeholders will undertake continuous monitoring and evaluation to ensure policy implementation and review so that policy outcomes that deliver on policy objectives can be achieved. Monitoring and evaluation for the policy will focus on the following:

- i. Development and institutionalization of a monitoring and evaluation framework for the agricultural insurance policy
- ii. Enhancing the capacity for carrying out M&E
- iii. Establishment of infrastructure to support monitoring and evaluation of the policy implementation
- iv. Making periodical reviews to address any new challenges and emerging issues

