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Agricultural Insurance and Guarantee Funds

San Jose, Costa Rica

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At its Thirteenth Regular Meeting, the Inter-American Board of Agriculture adopted Resolution 411, "Horizontal Cooperation in the Area of Agricultural Insurance and Guarantee Funds," in which it asked the Director General of IICA "to promote and facilitate horizontal cooperation among the Member States, and the systematization and dissemination of successful experiences in the area of agricultural insurance and guarantee funds." It also urged the Member States "to contribute to the exchange of information and experts" and instructed the Director General to establish partnerships with financial institutions, with a view to developing and strengthening the agricultural insurance market.

The Resolution is oriented towards improving the management of risks inherent in the agricultural production process, as well as mitigating the adverse effects of natural events (hurricanes, earthquakes, etc.). It is also fully consistent with the strategic priorities established in the 2006-2010 Medium-Term Plan of promoting trade and the competitiveness of agribusiness, the sustainable management of natural resources and the environment and the development of rural communities based on the territorial approach.

Results:

1. In response to this resolution, IICA identified successful experiences in countries of the hemisphere, which include both privately run and combined (public and private) agricultural insurance systems, as well as recent developments regarding the provision of services of this kind to agricultural producers. Based on this information, IICA has urged the Member States to share information and expert knowledge on the subject.

The Institute has established ties, and is in negotiations, with the Inter-American Federation of Insurance Companies (FIDES), the State Agricultural Insurance Entity of Spain (ENESA), FAO, the IDB, the RUTA program and insurance institutions in the countries, with a view to creating alliances for the development of agricultural insurance.

2. IICA has developed an "Agricultural insurance business plan." This comprehensive executive document, based on the experience acquired and the lessons learned, defines IICA's position on this subject and the strategic areas for action.

The proposal identifies a portfolio of well-developed ideas and project profiles for negotiation and also provides potential co-financers or donors with negotiating options. As a negotiating instrument, the document is flexible and

dynamic and keeps IICA's preinvestment costs to a minimum; it also makes it easier for co-financers or donors to select initiatives, adapt or adjust proposals and allocate resources at an early stage in the negotiating process.

3. In the Andean region, in January 2007 IICA supported the organization of a ministerial mission from Peru to Canada to exchange information and experiences with regard to agricultural insurance with the Financière Agricole du Québec, and to sign an agreement with the organization. In the same region, a seminar took place in Bolivia in September 2006 entitled "Efforts to promote agricultural insurance." The proceedings of this event were published.
4. In the Caribbean region, documents were drafted entitled "Proposal to elaborate a model agricultural insurance programme for the Caribbean with pilots in Trinidad and Tobago, Bahamas and Dominica" and "A framework for agricultural insurance in Trinidad and Tobago."
5. In the Central Region, at the request of the Central American Agricultural Council and with support from the Ministry of Production of Costa Rica, a seminar was held in February 2007 entitled "Agricultural Insurance and Risk Management: Trends and International Experiences." The seminar was used to present the experiences of insurance companies in Spain, Mexico, Chile and Costa Rica. Producers were represented in a panel discussion involving users of insurance, who stated that more information about agricultural insurance and efforts to promote the issue were needed, plus clear policy guidelines to regulate the market and guarantee its transparency.

The seminar, which was sponsored and co-financed by the Republic of China, the RUTA program, FAO and the National Insurance Institute of Costa Rica, was complemented with a presentation on the latest developments regarding the use of weather-related information to manage agricultural risks.

6. In the Southern Region, IICA provided technical support after the Southern Agricultural Council (CAS) decided to make risk management and agricultural insurance a priority of agricultural policy. It also helped obtain financing for action on this issue from the IDB. In addition, the Institute collaborated with the CAS's Agricultural Policy Coordination Network (REDPA) in preparing and publishing the book "The insurance market in the agricultural sector of the Expanded MERCOSUR in 2003/2004." At the country level, IICA supported the preparation and dissemination of Brazil's National Agricultural Insurance Program.

Future actions:

The Institute is negotiating options for the financing of an agricultural insurance observatory, for which the Government of Spain is prepared to furnish

preinvestment funds, channeling them through the IDB. ENESA would also make a contribution. The purpose of the observatory will be to systematize information about agricultural insurance and share it with the countries.

Furthermore, IICA is seeking to identify financial resources available in international organizations that could be used to promote micro-insurance programs and training in risks and agricultural insurance.

Talks with FIDES are at an advanced stage with a view to supporting the organization, in October 2007, of a conference on the collaboration between the public and private sectors in developing agricultural insurance programs in the Andean and Southern regions.

IICA will continue to implement this initiative provided that it has the additional resources needed to meet the demand for technical cooperation from the countries with regard to agricultural risks and insurance.