

# SACAU News

SOUTHERN AFRICAN CONFEDERATION OF AGRICULTURAL UNIONS



Risk pooling: wider access to weather based index insurance



Should agricultural insurance be compulsory?



Farmer of the month

## Meeting of the SACAU Board



SACAU Board members prepare for the annual AGM and Conference in Zimbabwe

The SACAU Board held its first meeting of the year in March. The meeting had a full agenda, as it came less than two months before the Annual General Meeting (AGM) and Annual Conference which will be held in Victoria Falls, Zimbabwe, between 14-16 May 2018. Naturally, dominating the discussions were items relating to these two events.

With respect to the AGM, the Board approved audited Annual Financial Statements and the draft agenda and

minutes of the previous AGM for circulation to members with the official AGM notice. In addition, the nomination process for candidates to fill the positions of Board members who will be retiring and its outcomes were reviewed.

Management's response to the Management Letter issued by the external auditors, proposed changes to the Memorandum of Incorporation (MI), management accounts, operational reports and the appointment of new external

auditors were also considered.

Finally, the Board received an update from the CEO on preparations for the Annual Conference. The theme is on trade as a tool for agricultural transformation.

This included the draft programme, the budget, and invitations including the participation of high-level dignitaries from the government of Zimbabwe.

The next Board meeting will be held on the eve of the AGM.

# CEO's Letter



By Ishmael Sunga

We are getting closer and closer to our Annual General Meeting (AGM) and Annual Conference. With less than two months to go, the pressure is building up. The processes and tasks leading to the AGM are often demanding, and this is in addition to our normal operations. But we are up to the challenge.

As highlighted in this newsletter, the Board met in March to consider, among others, progress regarding preparations for the AGM and Annual Conference. Preceding the meeting of the Board, secretariat staff and the Board jointly participated

in a one-day organisational self-assessment which was externally facilitated and is also covered in this issue.

As previously indicated, the management of climate risk has become one of the greatest threats to transformation and we are actively paying attention to this matter. In this regard, we successfully convened a stakeholder consultation workshop on a policy framework that is designed to enable cross border risk pooling for weather based insurance.

On the same above subject, we also actively participated in a regional risk disaster

reduction and management conference hosted by Southern African Development Community (SADC), as well as in the conference of parties of the African Risk Capacity, both of which are also covered in this newsletter.

Finally, we are pleased with the progress we made regarding resource mobilisation and the forging of new partnerships following promising engagements with existing and potential development partners. Further details in this regard will be provided as things firm up.

As always, we welcome your feedback.

# Technical Barriers to Trade in southern Africa

The Southern African Development Community (SADC) has put in place measures to promote trade within the southern African region. One such example is the passing of the SADC Protocol on Trade in 1996 which aims to further liberalise intra-regional trade in goods and services on the basis of fair, mutually equitable and beneficial trade arrangements, complemented by Protocols in other areas and to establish a Free Trade Area in the SADC Region, amongst others.

Despite having this trade-facilitation framework in place, business must still contend with a lot of barriers to move their products across borders. The regulatory sphere is said to be extremely complex, and highly fragmented such that even regulators themselves are not aware of activities of their counterparts. Business also finds it difficult to know the regulatory requirements due to limited access to information on regulatory aspects. Related to this is the lack of awareness of standards by users who are in most instances not involved in their formulation. The limited availability of quality infrastructure such as laboratories is a big problem. Delays at borders and in issuing required authority is also a thorn in the flesh.



These were some of the common issues that industry, including primary agriculture, retailers, logistics providers and the motor industry, highlighted as technical barriers to trade at the 2nd Annual Workshop of the SADC Technical Barriers to Trade (TBT) Stakeholder Committee that took place on 14 March 2018 in Boksburg, South Africa.

The above experiences clearly demonstrate that it is still a very long way before the two objectives of the Trade Protocol above can be fully achieved. However, not all hope should be lost – the European Union itself took

long to eliminate barriers as delegates heard at the workshop. While waiting for this ideal to become a reality, however, the cost of not being harmonised to the consumer and industry, and society at large remains a concern. This then calls for all involved to work together. A good start would be extensive communication of national requirements and improving interaction amongst all players.

# Risk pooling: wider access to weather based index insurance



Delegates at the weather based index workshop hosted by SACAU

Insurers, reinsurers, inter-governmental bodies and farmers' organisations confirmed that a regional approach to weather based index insurance was required to improve wider access to this solution by farmers. This came up at a workshop that SACAU hosted on 01-02 March in Johannesburg, South Africa. The workshop sought to solicit further input on a proposal for a regulatory framework that will support the pooling of risk across the different countries in southern Africa that SACAU commissioned late in 2017.

The pooling of risk is expected to reduce the cost of this solution to make it more available and accessible to the majority of the farming community.

The rationale for the regional approach as well as the draft proposal for the framework were presented. Delegates agreed with the proposed

elements and added an aspect on having an independent evaluation of losses. This was included to avoid a situation where the insurer underwrites, evaluates claims and pays out benefits to instil confidence in the process.

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“ The pooling of risk is expected to reduce the cost. ”

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Other elements are regional index insurance definition; potential distribution channels; data; establishment of local risk pools; public-private partnerships (PPPs); role of governments; promoting insurance literacy for the farmer; dispute resolution mechanism; development of climate proofing mechanisms, and development of regional fund.

While this process is a step in the right direction, government

support will be key to promote investments by insurers so will be farmer education. These were deemed critical since the market may be too small for insurers to invest in, and given the trend towards crises management than risk management in this part of the world. Credibility of data and application of proper farming practices will also need attention as they contribute to driving the costs upwards.

SACAU was given a go-ahead to take this process forward. However, the focus would be on engaging with the relevant bodies to negotiate for these elements to be integrated into existing frameworks instead of advocating for a separate regulatory framework on weather based index insurance.



# From reactive disaster management to proactive disaster risk reduction



Disasters and their impacts are increasing at an alarming rate around the globe. Damages inflicted by natural hazards such as drought, floods, fire and hail, diseases and pests continue to affect a number of sectors, including agriculture. Often times, damages and losses caused by natural disasters are incurred by smallholder farmers who are highly vulnerable to external shocks and lack physical and financial resources to regain lost livelihoods. Despite all this, published reports indicate that globally, less than five percent of post-disaster aid has been targeted to agriculture in the past fifteen years. In view of such statistics, an important question that arises is whether policy makers realise the impact of natural disasters on agriculture, and the role that agriculture can play during times of disasters. These are some of the issues that were deliberated upon during the Regional Disaster Risk Reduction Conference hosted by the Southern African Development Community (SADC) from 26-28 March 2018 in Pretoria, South Africa.

A critical analysis of the

agriculture-disaster risk management nexus reveals that despite bearing the major brunt of disaster impacts, agriculture plays a vital role in ensuring that people affected by various forms of adversities maintain access to food and livelihoods during and after an unfortunate event, and in building resilience over time. Therefore, it is in every country's interest to take into consideration the "safeguard" role of agriculture in times of crisis as the sector is expected to absorb environmental and economic shocks at different levels of the economy. This calls for a change in approach from reactive disaster management to a proactive disaster risk reduction one. While emergency response is still an essential part of sectoral disaster risk management, the need to adopt a long-term and risk-reduction approach remains central in the promotion of resilience for sustainable development. As such, for countries to enhance their prospects of achieving food and nutrition security, disaster risk reduction should be mainstreamed at all levels in the agriculture value chain (farm to stomach).

## Soils as a sink and source of carbon

This article builds on a related article in the previous issue of this newsletter which was based on the outcomes of a Chatham House dialogue in which SACA was represented. A more compelling value proposition for farmers and land managers was identified as one of the priority areas for attention which is the focus of this article.

The main message here is that financial and other benefits of conserving and increasing soil carbon accruing directly to farmers, the majority of whom are smallholders, have either not been adequately explained, if at all, or they are considered not attractive enough. This could also be related to the valuation of the asset. Are farmers really sitting on a valuable resource in ignorance, one wonders? Soil carbon rarely features in climate change management discourses in the farmer organisation fraternity. Our sense is that this fraternity needs to at least understand it better as a starting point with a view to informing its membership and spearheading appropriate action.



# Should agricultural insurance be compulsory?

In the face of climate change, farmers face a myriad of risks that threaten their output, income, and ultimately their consumption. Changes in productivity induced by weather variability cannot be fully accommodated by farmers despite implementing different on-farm risk mitigation techniques. These include enterprise diversification, use of drought tolerant varieties, and livelihood diversification into non-farm economic activities, among others. Whereas some of these measures have been helpful to some extent, agricultural productivity, in general, continues to be negatively affected and income derived from the sector has been very unstable and difficult to project.

One of the key messages of the Conference of Parties (CoP6) hosted by the African Risk Capacity (ARC) in March 2018 in Mauritania is that insurance can help cushion farmers against losses caused by factors beyond their control. The challenge, however, is that agricultural insurance markets are underdeveloped and often non-existent in most developing countries mainly due to poor contract enforcement, asymmetric information, and high transaction costs. As a



result, premiums under 'traditional insurance' tend to be relatively high and out of reach of most smallholders. Through innovative measures resulting from public-private partnerships, these challenges have been partly addressed in some east and southern African countries, where Weather-Based Index Insurance (WBII) has been introduced as an affordable alternative. WBII reduces the cost of providing cover and the likelihood of moral hazard as the index is created based on data that cannot be manipulated by policy holders.

Despite the availability of WBII, it is worth noting that farmers' degree of risk aversion plays a vital role in shaping their risk management decisions, including their demand for insurance in general. Given the recurrence and severity of weather related adversities and their negative

effects on global food markets and the farmers' own welfare, the question that arises is, 'Should WBII be compulsory?' This question has fundamental implications for policy, hence several factors need to be considered before arriving at a conclusion. Some of the key considerations relate to the following: To what extent has WBII proven to be a sustainable adaptation strategy to climate variability and change? Do farmers in their respective categories have insurance literacy? What role should state and non-state actors play under a 'compulsory insurance' framework and what would be an ideal institutional environment?



## Organisational self-assessment

Every two years, SACAU undertakes an organisational self-assessment to assess progress made in the development of the organisation. Using the Octagon tool, the Board and staff use a given criteria to independently score the organisation on its structure, identity, relevance, activities, target groups, working environment, expertise and systems and finance. The scores of the two groups are then discussed at plenary, and a combined score is agreed upon as well as the

strengths and weaknesses of each variable. Action points to address the weaknesses are also agreed upon.

This year, the self-assessment was undertaken on 27 March, and its objectives were to identify perceived strengths and weaknesses, establish a baseline for the organisational strength of SACAU and develop an action plan to address identified weaknesses. This exercise was facilitated by We Effect, SACAU's longest partner, who also provides institutional

support to the organisation.

At the end, the eight areas of the assessment were consolidated and presented using the Octagon tool. Areas that received the highest scores are working environment, target group and systems and finance. In line with the objectives of the exercise, the results of this assessment will, amongst others, be used as a baseline for SACAU's new programme funded by We Effect.

## Project evaluation

There is going to be an evaluation of one of SACAU's longest initiatives titled "Support to Farmers' Organizations (FOs) in Africa Programme (SFOAP)" whose implementation ends at the end of this year. This is part of an Africa-wide programme involving other regional Farmers' Organization (FO) and the Pan African Farmers' Organization.

Implementation of this programme started in 2013, and its overall goal is to improve the livelihoods and food security situation of African smallholder farmers and rural producers. The programme supports three components, namely; strengthening of National Farmer's Organization (NFOs) institutional capacities, policy engagements and provision of economic services. In addition to regional activities, it is implemented in five countries namely; Lesotho,

Madagascar, Swaziland, Namibia and Tanzania. Through the programme, NFOs in these countries were expected to evolve into stable, well-performing and accountable organisations that can effectively represent their members and advice farmers in their farming enterprises.

From May 2018, SACAU and the NFOs are planning to have an end of programme evaluation to give an opportunity to project stakeholders, including farmers, to assess its impact. This exercise will also enable NFOs to assess and compile both technical and managerial lessons from activities to provide insights for the future approach of similar interventions. The extent to which NFOs have become more sustainable and accountable with increased membership base and improved capacities to provide services to



men, women and young farmers will also be put in the spotlight. In addition, the evaluation will check the extent to which NFOs effectively participate and contribute towards national, regional and continental agricultural policy development as well as whether they have improved their economic service provision to their members.

The results will be shared with other continental counterparts at a Knowledge Management meeting that is scheduled for June 2018 in South Africa.



# FARMER OF THE MONTH **Diane Sibanda**

Diane Sibanda is a horticulture farmer from Botswana, specialising in hydroponic tomato production. She started farming in 2007 after 19 years in the corporate sector where she was involved in sales and marketing. She ventured into farming, an area that she had always been passionate about upon realising that it can be a viable business if done well. Initially, she was producing vegetables on a subsistence scale until she realised that farming could be a profitable venture, and later decided to scale up her operations to supply major retailers. Diane is now an accomplished farmer supplying upmarket chain stores and some wholesalers on a weekly basis throughout the year. Farming has been her source of income for about 11 years.

Diane recognises the immense contribution that her professional background has had towards her success. Her ability to sit on the table and close a deal with anyone in the corporate sector has been a huge asset in this regard. She has also learnt that reliability and credibility are the currency for success

in farming. "That in itself can cement the relationship between the producer and the business market, and this is far more valuable and it outweighs the monetary aspect", says Diane.

Not only is Diane a fulltime farmer, she also serves in

Southern African Development Community (SADC) Technical Barriers to Trade Stakeholder's Committee, a role she has played since 2014. Diane is also a Board member of the Women in Business Association (WIBA) in Botswana.

Her life purpose is to empower rural women through training and mentorship. In line with this, she mentors students from Botswana University of Agriculture and Natural Resources who are attached to her farm on an annual basis for six weeks. Some of her achievements are bringing in and promoting the Brazilian horticultural cooperative model to horticulture cooperatives in Botswana; which to this day has been embraced by members at district level and will be rolled

out to the whole country. She also introduced and spearheaded the Annual SADC Quality Awards in 2016 which saw Botswana women representing their country at SADC level and generating interest in this award for many more.



different structures in Botswana and in the southern African region. She is currently the President of Botswana Farmers' Association and has since 2009 been a member of the Fruits and Vegetable Technical Committee of Botswana Bureau of Standards. She also serves in the

## Mission

To be the main voice of farmers on regional, continental and global matters, and to promote and ensure strong and effective farmers/producers' organisations in all countries in southern Africa.

## Values

- SACAU is founded on the following values and principles:
- Consultation • Transparency
  - Accountability • Honesty and integrity
  - Objectivity • Impartiality • Professionalism
  - Non-discriminatory
  - Independence
  - Subsidiarity and complementarity
  - Political neutrality

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