PULA (GLOBAL)

GREEN INCLUSIVE FINANCE

Case Studies Series on Essential Practices

Essential Practice No.7:

Offering green financial products and services

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EUROPEAN MICROFINANCE PLATFORM
ADVANCING FINANCIAL INCLUSION

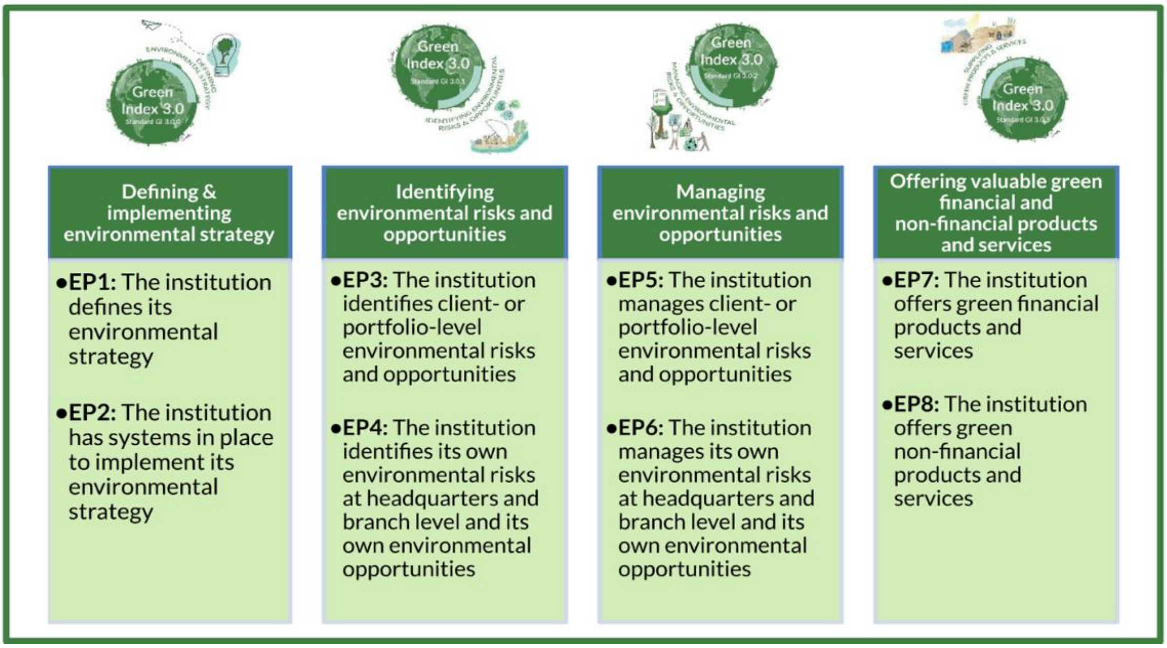
e-MFP Green Inclusive & Climate Smart Finance ACTION GROUP

About the Green Essential Practices Case Studies Series

The "Green Essential Practices Case Studies Series" highlights the experience of Financial Service Providers (FSPs) with good practices in the 8 key areas identified in the Green Index 3.0.[1] The Case Studies under this series offer practical examples of how an FSP developed its practices to inspire and facilitate the journey of others.

The **8 Green Essential Practices (EPs)** provide a roadmap for FSPs to maximise their green impact:

- **EP1**: Define their environmental strategy
- **EP2**: Implement their environmental strategy
- **EP3**: Identify client or portfolio-level environmental risks and opportunities
- **EP4**: Identify institutional-level environmental risks and opportunities
- **EP5**: Manage client or portfolio-level environmental risks and opportunities
- **EP6**: Manage institutional-level environmental risks and opportunities
- **EP7**: Offer green financial products and services
- **EP8**: Offer green non-financial products and services



Each Case Study in the series follows the same structure:

1. **Background** of the FSP and the context in which it operates.
2. **Evidence** of how the FSP is demonstrating good performance in the Essential Practice that is being highlighted. This is the main section of the Case Study and offers – as relevant – a review of what has enabled the FSP to reach its results, and what these results are:
    - *Capacity*: how did the FSP acquire the capacity to implement the activities needed? (e.g., internal training, training through external partnerships, technical assistance, financial support, etc.)

[1] For more details about the Green Index 3.0, refer to these links: https://www.e-mfp.eu/sites/default/files/resources/2022/11/Green%20Index%203.0_final.pdf and https://hedera.online/gicsf_ag_tools/green-index-digital.html

    - *Tools*: which tools did the FSP use to implement the needed activities? (e.g., indicators, documents, materials, IT solutions, etc.)
    - *Outreach*: what were the FSPs' quantitative results? (e.g., outreach, implementation status, etc.)
3. The FSP's **journey** to implement the identified good practice, and lessons learned.
4. The FSP's **next steps** – if any – to continue to improve in this area.

Green Essential Practice No. 7 (EP7): Offering green financial products and services

In the **Green Essential Practice No. 7 (EP7)**, the focus is on offering green financial products and services:

- The FSP offers (alone or in partnership) a range of financial products that allow its clients to address environmental risks and leverage green opportunities:
    - Loans for renewable or efficient energy, nature-based solutions, or water and sanitation
    - Loans for sudden climate change events
    - Financing for targeted SME activities: SMEs loans (non-dedicated or dedicated) to finance SMEs involved in making green practices or technologies available to clients
    - Climatic micro-insurance products to help clients or the portfolio becoming more resilient to environmental shocks or climate risks
    - Financing to help clients to become more resilient to environmental shocks or climate threats
    - Financing for the implementation of green practices and technologies that generate positive environmental impact
- The FSP develops its specific capacities and applies specific procedures in regard to the above-mentioned loans and other financing mechanisms
- The green practices or technologies financed are specified by a recognized taxonomy

The FSPs highlighted in Case Studies on the **Green Essential Practice No. 7 (EP7)** demonstrate good practices in offering green financial products and services.

EP7: Offering green financial products and services at Pula

A. Background

About Pula

Pula is an insurance and technology company that designs and delivers innovative agricultural insurance and digital products to help protect smallholder farmers from climate risks. Pula is a leading insurtech[2] that designs and delivers agricultural insurance solutions for smallholder farmers across Africa and expanding across Asia and Latin America.

Pula's mission is to help 100 million farmers and their communities protect themselves against the impact of climate change by 2026. Agricultural insurance improves farmers' resilience and leads to greater investments in crops and better farm practices. It results in higher yields, increased income, and food supplies. To maximize the reach and transformative potential of agricultural insurance, Pula's innovative solution brings together insurance and distribution partners, leveraging technology to enable broad access to insurance for the benefit of millions of farmers across emerging markets.

Pula Key Information and Statistics

- **Legal status:** Pula has registered entities in Switzerland, Kenya, Zambia, Uganda, Tanzania, Malawi, Mozambique, and Nigeria.
- **Countries of operation:** Pula operates in 4 continents and 18 countries, mostly in Africa. (Kenya (headquarters), Côte d'Ivoire, Ethiopia, Ghana, Madagascar, Malawi, Mali, Mexico, Mozambique, Nigeria, Pakistan, Rwanda, Senegal, Tanzania, Turkey, Uganda, Zimbabwe, and Zambia, where Pula has the largest volume of activity).
- **Target market:** Smallholder farmers and pastoralists.
- **Size of portfolio:** USD 1.65 billion in agricultural investments, insured against agricultural or climatic risks since inception in 2015; USD 599 million in 2022 only.
- **Number of active clients:** 9 million farmers insured since 2015; 3 million insured in 2022.
- **Land insured:** 3.1 million hectares of lands insured in 2022.
- **Claims:** USD 3.3 million paid out in 2022.

All Pula projects services aim to reduce environmental risk or adverse impacts to the environment, and major supporters include the African Development Bank, AGRA, the Bill and Melinda Gates Foundation, Governments of Zambia, Kenya, Ethiopia, Nigeria, Uganda, Pakistan, and Mozambique , the InsuResilience Solution Fund (ISF), the International Fund for Agricultural Development (IFAD), Mastercard Foundation, Shell Foundation, the World Bank, the World Food Program (WFP), and UK Aid.

Pula partners with a wide range of organizations. Its main partners include governments, more than 90 insurance and reinsurance companies, more than 70 distribution partners (among them FSPs and agribusinesses), development organizations and donors (the African Development Bank, the Bill and Melinda Gates Foundation, the International Fund for Agricultural Development, Mastercard Foundation, Shell Foundation, the World Bank, the World Food Program , UK Aid). Pula brings together several such stakeholders, leveraging technology and subsidizing the demand at an early stage to enable sustainable scale up modalities.

Pula raises funds from various types of organizations to design and deliver innovative solutions such as the 'Pay at Harvest' approach which benefited from an investment from the British International Investment (formerly CDC) within the Climate Innovation Facility. Often at the heart of such innovations lies their flagship area yield index product which offers comprehensive risk coverage against multiple perils and compensates farmers when their yield falls below a pre-set yield threshold. The compensation payout is processed by the insurance partner, and in some cases, it is released through a digital wallet.

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[2] Insurtech refers to the use of technology innovations designed to find cost savings and efficiency from the current insurance industry model (source: Investopedia.com)

Pula's green agenda began when it started operations in 2015. The latest green strategy covers 2022 – 2026, with the aim to reach 100 million farmers and their communities by 2026.

What context does Pula operate in?

Insurance (paying now for a possible payout in the future) is a more complex product than loans and savings, and getting potential clients to understand the benefits can be challenging. Therefore, having governmental policies and programs in place that provide meso-level insurance for farmers helps promote climate change adaptation and increase uptake. Favourable regulations and public policies aid the development of diverse insurance products and approaches that can be tailored to the needs of the target farmers.

Pula's work is supported by government entities such as the Ministries of Agriculture, Livestock and Disaster Management Agencies, private sector actors such as insurance and reinsurance companies, development partners, and donors, who wish to scale up digitally enabled cost-effective climate change adaptation solutions.

B. Green Essential Practice No. 7 at Pula

Because Pula focuses on insurance, three elements of **Green Essential Practice No. 7** are particularly relevant (see Table 1).

Table 1: Selected elements of Essential Practice No.7 (focus on insurance)[3]

Green Index 3.0/ SPI4 Indicator	Description
7G.3.1.20	The institution **offers**, alone or in partnership**, insurance products to help clients and/or the portfolio becoming more resilient to environmental shocks or climate risks**, including: • agricultural or climate Index insurance • agricultural or climate hybrid insurance • insurances protecting properties against extreme weather events
7G.3.1.21	The institution had **developed its specific capacities** to provide agricultural or climatic micro-insurance products thanks to: • the provision of dedicated trainings to its staff • partnerships with a third-party insurer • partnerships with a public program • specialized (semi) grant programs
7G.3.1.22	The institution **applies specific procedures or tools** to support its insurance product such as: • satellite data • weather station data • specific indicators or indices • existing national databases • citizen science or community monitoring

[3] https://www.e-mfp.eu/sites/default/files/resources/2022/11/Green%20Index%203.0_final.pdf

Building models for insurance and partnering to help increase client resilience to environmental shocks or climate risks

Pula designs, prices, and builds the model of agricultural index insurance products targeting smallholder farmers and pastoralists. The average farmer insured has a one-hectare farm and pays about EUR 9 as an annual premium.

Pula, as a service provider, does not carry any risk, but rather acts as a service provider, linking clients and partners with the right parametric insurance products and companies to meet their needs. Pula's consulting team advises governments and businesses on strategies and policies. Working with developmental agencies, Pula executes pilots and feasibility studies. It advises on the best approach to implement insurance at scale and to leverage premium subsidies to drive uptake and sustainability, with a plan to phase out subsidies after a few years. Pula participates to programs and policies that are implemented on a national scale (e.g., FISP in Zambia).

The area yield index insurance product

Pula's flagship product, called the Area Yield Index (AYI), is a parametric insurance based on an area's historical crop yields.

While weather index-based insurance products only reliably cover excessive rainfalls and droughts, the area yield insurance is a comprehensive product that covers multiple perils. Pula, its insurance partners, and its clients agree on a yield threshold that serves as a basis for the insurance contract. Pula's field staff coordinate with local partners and execute digitized yield measurements at the time of harvest. Compensation payouts are triggered when the farmers' yield falls below the pre-set yield threshold. The insurance partner then processes the payout easily. In some cases, the payout is released on a digital wallet.

Developing its capacity

Pula uses several approaches to ease the uptake of insurance, which is the core challenge of these kinds of products. First, Pula engages in schemes farmers are already involved in and bundles insurance in existing products and services such as loans and inputs, at small additional costs. Second, partnerships are key to mutualize risks (with insurers and reinsurers that have diversified risks within their portfolio), subsidize the demand at the beginning (through donors and governments) and get significant outreach (participating in large scale programs).

Applying tools

Through its proprietary technology on a web-based platform – Pula Insurance Engine (PIE) – Pula has automated the pricing for its insurance products based on several datasets on historical weather data, data on agroecological zones, historical yields, farm sizes, crops planted, etc.

Moreover, Pula's area yield index is differentiated across areas in the same administrative district or region. Pula teams go to the field regularly, performing digitized yield measurements at a granular level. This data allows Pula to build a yield index tailored to each area. Relevance of the index is ensured by the fact that Pula has Africa's largest yield database due to its exhaustive data collection over the last few years in over fifteen countries.

C. Pula's journey with Green Essential Practice No.7

How did it start?

Pula was founded by Thomas Njeru (CEO) and Rose Goslinga (President), who wanted to offer insurance to protect small farmers from extreme weather events while working in Rwanda and Kenya.

What was key to its success?

The key to success has been to make insurance attractive for the client and sustainable for the insurer.

Make insurance attractive for the client:

1. Use a parameter that is easier to understand: the yield index is more attractive to clients than parameters such as rainfalls, etc.
2. Ease the uptake by subsidizing the demand.
3. Reduce costs and achieve large outreach bundling insurance with other products (intrants, credits, solar energy off grids).
4. Have claims paid up quickly.

Make the product sustainable for the insurer:

1. Make the product relevant using powerful technology that combines a wide range of data covering, among others, weather, agroecological zones and crops' yield.
2. Insure farmers through a meso-level approach thereby reducing administrative burdens
3. Mutualize risks between insurers and reinsurers.
4. Build consortium of local insurers
5. Subsidize the demand in the early stages.

For the future, one opportunity for green inclusive insurance may lay in the Loss and Damage Fund that the COP 27 agreed on in 2022. This fund should help increase outreach, innovation in the sector, and sustainability. Nonetheless, the modalities are yet to be defined.

What challenges did Pula encounter? How did Pula overcome them?

The main challenge laid in sales. Pula started out selling insurance with seed companies by including vouchers in the seed bags and adding the cost of insurance to the price of seeds. However, farmers would often buy seeds from other companies due to slightly lower prices. Therefore, to make insurance attractive for the clients and make it financially sustainable for the insurer, Pula had to find other delivery mechanisms to embed insurance onto by partnering with governments, aggregators, developmental bodies, and other stakeholders who understood the benefits and were willing and able to pay.

D. What's next?

In order to help 100 million farmers and their communities to protect themselves against the impact of climate change by 2026, Pula will continue to develop partnerships all across the spectrum.

Partnering with financial institutions and programs is key. Pula worked with the Central Bank of Nigeria to bundle insurance with its Anchor Borrower's Program for agricultural credit. It is currently working with the largest private bank in Tanzania, CRDB Bank, to implement a similar scheme. Pula is conducting a pilot with the non-bank financial institution Advans in Côte d'Ivoire. In addition to this, several potential partners are engaging Pula to insure their agricultural loan portfolios.

Furthermore, Pula continues to roll out innovative programs such as bundling agricultural insurance with Pay-Go solar energy programs with solar companies, supported by the Shell Foundation in Uganda, Senegal, and Kenya. It consists of bundling insurance with delivering off-grid solutions to rural communities. In case of a bad agricultural season, the payments to solar companies are affected. Solar companies have insured their customers' loan portfolio for buying solar house systems. In the case of seasons with crop losses, the potential risk of non-repayment from customers can be covered with such an insurance. The solar home systems' insurance product is backed by the same area yield index described above. In that case, the payout goes to the solar company, replacing the payment expected from the client.

Acknowledgments

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Learn more

For more information about Pula's environmental journey, we invite you to check the following resources:

- Pula's website: Pula
- Energy program: Home (pula.io)
- Report: How can agri-insurance reduce the risk associated with Solar PayGo? Pula learning report
- Contact information: Sukirti Vinayak, Director of Strategy & Research at Pula: svinayak@pula.io; Rose Goslinga, President: rose@pula.io

For more information about the Essential Practices, we invite you to check the **Green Index 3.0**.

Contribute

We encourage you to take an active part in building the pool of resources available on good environmental practices.

If you are interested to **contribute to the Green Essential Practices Case Studies Series or the Green Map,** we invite you to contact Joana Afonso at European Microfinance Platform (e-MFP) at jafonso@e-mfp.eu.

The e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF-AG)

The e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) is a unique multi-stakeholder think tank that brings together inclusive finance practitioners and researchers to enhance cooperation, exchange experiences and find a common path to deal with environmental issues, improve knowledge and disseminate findings, seize green opportunities and co-create common standards for the inclusive finance sector and new practical tools to advance green inclusive and climate smart finance. Created in 2013, today it counts today more than 150 members affiliated to more than 75 institutions worldwide and represents the majority of sector stakeholders.

The European Microfinance Platform (e-MFP)

The European Microfinance Platform (e-MFP) is the leading network of organisations and individuals active in the financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs, and researchers. Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation. The Platform achieves this through its numerous year-round expert Action Groups, the annual European Microfinance Week which attracts over 400 top stakeholders representing dozens of countries from the sector, the prestigious annual European Microfinance Award, and its many and regular publications.

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