

Case Study: One Acre Fund – Malawi

Bundled Input Loans and Services with Index Insurance Increase Uptake and Renewal

Why This Case Matters

[One Acre Fund](#)'s (IAF) integrated approach - combining agricultural support, productivity improvements, and climate resilience measures - positions index insurance as one component within a broader service package. This bundling strategy drives high uptake and renewal rates, signalling both farmer trust and satisfaction.

Malawi Context: Agricultural, Climate and Financial Inclusion

Malawi is one of four countries globally with the highest poverty rates. Food insecurity and malnutrition are also critically high and severely impacted by climate risks – a series of cyclones, tropical storms and drought caused by El Niño have compounded vulnerabilities.

Smallholder farmers produce about 80% of domestically consumed food, with maize as the staple crop.[1] Yet they face multiple challenges: limited access to finance and inputs, insecure land rights, and high vulnerability to droughts and floods.

Malawi Insights*

> Agriculture Scope

- 62% employed in agriculture
- 67% are female
- 64% land area is agricultural

> Vulnerability

- 51% poverty

> Financial Services

- 57% unbanked
- 34% use mobile money

> Climate risks

- Increased extreme heat risk
- Increased frequency and prolonged drought and changing rainy seasons.

About [One Acre Fund](#)

One Acre Fund (IAF) is a non-profit agricultural service provider dedicated to improving the livelihoods of smallholder farmers by offering financing, training, and access to climate risk mitigation solutions. Primarily targeting smallholder farmers with less than an acre of land who are underserved by the financial and agricultural systems, IAF's core model includes the delivery of quality farm inputs (seeds, fertilizer, etc.) on credit and training farmers in modern agricultural techniques including agroforestry.

IAF serves 5 million farmers across 9 countries in Sub-Saharan Africa - regions that produce 80% of the continent's food - creating \$450 million in new farm profits and assets, and leading the largest farmer-led agroforestry effort, with over 315 million trees planted. The integrated approach significantly boosts productivity, with farmers typically achieving up to 40% higher yields.

[1] CIAT, World Bank. [Climate-Smart Agriculture in Malawi](#), 2018.

*Sources: World Bank (ILO modeled data, 2023, FAO data 2022, poverty data from 2019); World Bank Global Findex Database. Poverty & Equity Brief: Malawi, 2025



One Acre Fund Malawi & SCBF's Role

In Malawi, 1AF's multi-pronged farmer support provides agricultural input loans with embedded insurance. In 2023, SCBF provided 1AF with a [technical assistance grant](#)^[2] to improve the accuracy and value of its insurance products in Malawi. With SCBF's support 1AF was able to quickly launch and scale an index insurance product, with the project focusing on:

- Securing external expertise in actuarial analysis
- Improved data and analysis. Data integration enabling the development of a hybrid index insurance for area yield + weather index. Refined farmer plot zoning using clustered data analysis and field validation
- Developing a viable product for scale

Achievements & Innovations

One Acre Fund successfully created a robust and reliable hybrid index insurance that reduces basis risk and coordinates flexible payouts with additional support through its broader farmer program.

- **Flexible support and targeted payouts drive farmer resilience.** In 2024 and 2025, severe droughts triggered payouts to more than 142,000 insured farmers - 66% of them women. Compensation was delivered flexibly as loan forgiveness, cash via mobile money, or credit for future inputs. Early payouts, made before loan deadlines and seed redeliveries, sometimes more valuable than cash, helped farmers replant and avoid negative coping strategies like asset sales.
- **Hybrid design enables more accurate, context specific indexes that better cover farmer losses.** Strong renewal rates rising from 66% in 2024 to 91% in 2025, suggest 1AF is meeting farmer's needs but also helping them thrive in the face of vulnerability and climate risk.
- **Dedication to ground-truthing leads to more accurate products and trust.** Regular surveys and monitoring visits to collect ground-truth data on planting dates, crop stages, and yield outcomes, enables 1AF to validate and refine indices, while also improving understanding of farmer behaviour and risk exposure. This continuous feedback loop helps 1AF to significantly reduce basis risk and take preventative action ahead of climate risks.

Challenges

Disputes between insurers and reinsurers in the approval and payment of area-yield payouts in 2024, created risks of late payouts, forcing 1AF to advance compensation to protect farmer trust. Building internal insurance expertise was another challenge, requiring the recruitment of actuarial capacity to reduce dependence on external partners. Finding reliable local insurers and reinsurers has also been difficult, especially given

[2] SCBF Project 2023-03 [Factsheet](#) and [Final Report](#). This project was co-funded by Swiss Re Foundation for activities in Malawi and Nigeria. In parallel, One Acre Fund received a technical assistance grant from the U.S. International Development Finance Corporation (DFC) to improve the accuracy and value of its insurance products in Kenya, Rwanda, and Tanzania.



Malawi's regulatory and foreign exchange constraints:

- **Limited coverage may affect farmer satisfaction in the long term.** IAF's index insurance provides loan forgiveness and does not cover the loss of crops. While their debt may be erased, their income from the lost harvest is not indemnified. Through IAF's broad support program, farmers may receive seeds for mid-season planting or drought resistant varieties that may sustain their household consumption. As climate risks grow farmers may need broader coverage to sustain their livelihoods.
- **As a non-profit organisation, IAF provides valuable support to farmers, but is it sustainable?** One of the keys to IAF's successful scale has been to ensure programs are cost-efficient and have a high social return on investment (SROI). As a non-conventional provider of index insurance, the loss ratio is extremely high due to an emphasis on claims payments in the form of debt forgiveness. Malawi also experienced several severe weather events (cyclone and drought) – over time, the loss ratio should decline bringing the product to a more sustainable payout level.
- **Lack of farmer level data means coverage is inaccurate.** One of the remaining challenges is to better understand farmer resilience to climate shocks. IAF suggests studying the minimum income level thresholds that push farmers to engage in negative coping strategies, enabling improved insurance design and subsidy planning.[3]



Pic Courtesy: Photodjo, Getty Images / Canva

[3] [Building a Stronger Foundation for Climate Resilience](#), 2023.



Future Outlook

Looking ahead, IAF is investing in satellite-based yield prediction models, blockchain-enabled policy management, and higher-resolution climate data to improve index accuracy and timeliness. A new mission-driven reinsurance facility, [One Acre Fund Re](#) is being developed to expand underwriting capacity and reduce payout delays, specifically designed for smallholder farmers and the climate risks they face. Beyond insurance, IAF continues to integrate climate-smart practices such as agroforestry, soil health management, and the distribution of drought-resistant seeds, supporting long-term farmer resilience.

Key Takeaway

One Acre Fund Malawi's Experience: Farmers Value Bundled Insurance

Index insurance offered with loans in a broader farmer support program with an established foundation of trust, drives rapid uptake and delivers timely impact. Hybrid indices, flexible payouts, and farmer-centered communication are essential to building trust. The challenge ahead is ensuring financial sustainability through better data, stronger insurance partnerships, and innovative reinsurance models.

- **For donors:** Invest in farmer programs that bundle broad farmer support with financial services through national farmer networks. Support capacity building for localized index insurance expertise and insurance market growth, especially in vulnerable countries lacking safety nets.
- **For practitioners:** Design programs that respond to farmer realities using a combination of field data and technology driven solutions to reduce costs while providing relevant products and services.

Other project related documents:

- [Project Factsheet](#)
- [Project Final Report](#)

