

Abstract: While risk is known to harm farmers' production investments, there is still limited evidence of index-insurance impact on household ex-ante behavior. This paper studies a pilot area-yield index insurance project sold to cotton farmer groups in Burkina Faso. Insurance sales were randomized, and in the treatment area, an encouragement design was generated by providing premium subsidies (between 25% and 75%) randomly distributed to farmer groups. No impact was found on cotton production, most likely in reason of the late sale period (during the sowing period). However, substantial and significant impacts were found on several activities and assets such as field investments, sesame cultivation and livestock herding. The mechanisms behind these indirect effects are discussed. Overall, the findings suggest a promising role of index insurance for stimulating ex-ante investments, but also draws attention on implementation gaps which currently threaten this type of intervention.