

PASTORALISTS INSURANCE

**De-Risking, Inclusion and Value chain Enhancement (DRIVE)
for Pastoralist Economies in the HoA**

**8th Eastern & Southern Africa Regional Conference on
Inclusive Insurance - APRIL 2023**



THE WORLD BANK

Disaster Risk Financing structures are dependent on the different risk profiles

DIFFERENT SHOCK
PROFILES



NEED TRIGGER

RESPONSE INSTRUMENTS

DISASTER RISK FINANCE

High Risk Layer
E.g. Major drought

Risk Transfer
E.g. Catastrophe risk insurance

Medium Risk Layer
E.g. Regional flooding

Contingent Credit
E.g. Catastrophe Deferred Drawdown Option

Low Risk Layer
E.g. Local dryspell

Budget Mechanisms
E.g. Contingency budgets/reserves

Livestock Insurance against major drought

An Ex-ante approach has been deployed by the government at scale - KLIP

KLIP made significant achievements and brought forward multiple lessons that have informed the DRIVE project

Impact

600K +

Pastoralists and their dependents reached

Ksh. 1.2 Billion

Claims payouts by insurance companies

Ksh. 23 Billion

*Value of animals protected in five years.
90,000 TLUs in a year*

- *Empowered to access to animal feed, water, vet services after payouts*
- *Overall stabilization of production systems*

Opportunities to enhance livestock insurance

- **Product enhancement** to achieve an affordable, and a business case
- **Distribution channels** to reach vulnerable pastoralists
- **Continuous capacity building** is required to increase insurance appreciation
- **Timeliness of claims payouts** to get to pastoralists to counter the impact of drought
- **Insurance is an enabler** and required to be bundled with other products and strengthening of the livestock market
- **Sustainability** requires the crowding in of different pockets of funds- private sector funds, pastoralists as government fiscal budget is limited

De-risking Inclusion and Value chain enhancement for pastoralist communities in The Horn of Africa (DRIVE)

DRIVE is a regional project, implemented in 4 HOA countries

Djibouti, Ethiopia, Kenya, Somalia



\$ 360.5 Million

TOTAL PROJECT COST, with financing from IDA and GRIF

Impact

1.6 Million

Pastoralists and their dependents having access to financial services (drought insurance, savings, digital account)

\$572 Million

Private capital enabled from (re)/insurers and through the facility to de-risk private investments

2,500

Pastoralist groups supported and connected to markets

Project Objectives

To enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa

The project has two components with strong linkages

1 Package of financial services for climate resilience (\$ 179 M)

Support the provision of an integrated package of financial services to build climate resilience

2 Livestock Value Chains and Trade Facilitation (\$ 181.5 M)

Better include pastoralists in the livestock value chain and facilitate trade in the HOA

Implemented by:



ZEP-RE
(PTA Reinsurance Company)

Implemented by countries MDAs (Ministries, Departments and Agencies)





HOW WILL DRIVE ENSURE SUSTAINABILITY?

1. PRIVATE SECTOR LED APPROACH

Private sector and financial actors (insurers/MFIs) and NGOs (WFP, SOMREP) will express interest to access financing on the condition they provide a suitable package of services (insurance, savings accounts). They will then be able to deliver such products by leveraging on the platform of services provided by the regional implementer.




3. REGIONAL IMPLEMENTATION

DRIVE Component 1 will be implemented by a single regional entity to provide scale and sustainability. This will facilitate the engagement of the local private sector and international (re)insurers through partnerships.

2. AGGREGATION, CONTRIBUTION OF BENEFICIARIES, LINKAGES TO VALUE CHAINS

DRIVE will target pastoralist groups that are constituted around economic activities and have the potential to engage in commercial activities, with a focus on Women's groups. Beneficiaries will contribute to the cost of the services and be linked to livestock processors/exporters through contracts.

DRIVE financial package is defined for each country and the distribution is leveraging partnerships with different institutions

DRIVE	<div></div>			
	Starting Point	KLIP	SIPE	
		<ul style="list-style-type: none">• Full premium payment by Government• Pockets of commercial IBLI	<ul style="list-style-type: none">• Full premium payment• Commercial IBLI in Borana with 1 insurer	
	<ul style="list-style-type: none">• Sum insured /TLU• Av premium /TLU• Subsidy• Savings<ul style="list-style-type: none">• Enrolment• Ongoing	<ul style="list-style-type: none">\$140 – Kes. 16,820\$24.69 - Kes. 3,30080%\$50 – Kes. 6,00015% up to a max of \$100	<ul style="list-style-type: none">\$140 - ETB 7,500\$29.25 – ETB 37,50090%\$100 – ETB 5,40010% up to a max of \$50	<ul style="list-style-type: none">\$150\$29.790%\$5010% up to a max of \$50
	Partnerships	Insurers – 10 <i>All participating insurers have to get approval from IRA</i>	Insurers – 4 <i>All participating insurers will need to get approval to write from NBE</i>	Insurers – 4 <i>All participating insurers, need to be licensed by CBS</i>
		Banks - 4	Banks - 4	Banks - 3
	Distribution	<ul style="list-style-type: none">• National and Regional Government• Private sector agent: MFIs, Insurers, NGOs, CBOs	<ul style="list-style-type: none">• Banks/ MFI – sales agents• Village insurance prompters – Cooperatives. Supported by the regional government and National government	<ul style="list-style-type: none">• Banks• Insurance companies• Government• Community elder/mobilizer

* TLU – Tropical Livestock Unit TLU is a unit for measuring monetary value of insured livestock, 1 TLU = 1 cow or 10 goat/sheep or 0.7 camel.

Implementation of Component 1 has been successful through multiple collaborations

National Governments
Government agencies



Reinsurance
partners



YEARS OF DELIVERING
QUALITY SERVICE
TO THE AFRICAN
INSURANCE INDUSTRY

Technical
partners

*Knowledge partnership in
product development*



Financiers

*Savings and
aggregation*

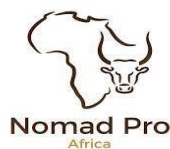


Development partners
and aggregators

*Capacity building and
distribution of the
financial package*



**KENYA LIVESTOCK
MARKETING COUNCIL**



FORTUNE CREDIT
Delivering Dreams



There has been a strong appetite for the financial package over the last 2 seasons, covering 165,000+ pastoralists in the 3 Countries

	Pastoralists covered	Premiums (USD)	Enrolment Savings Bonus (USD)*	Claims (USD Millions)**
Oct - Dec 2022 (Short rains Season)				
Kenya	16,829	2,087,298	777,200	2,126,243
Somalia	1,787	185,213	78400	0
Total	18,616	2,272,511	855,600	2,126,243
March - June 2023 (Long rains Season)				
Kenya	56,466	6,315,011	To be determined	
Somalia	39,094	5,453,613		
Ethiopia	52,958	6,829,846		
Total	148,518	18,598,470		
Grand Total	167,134	20,870,981	855,600	2,126,243

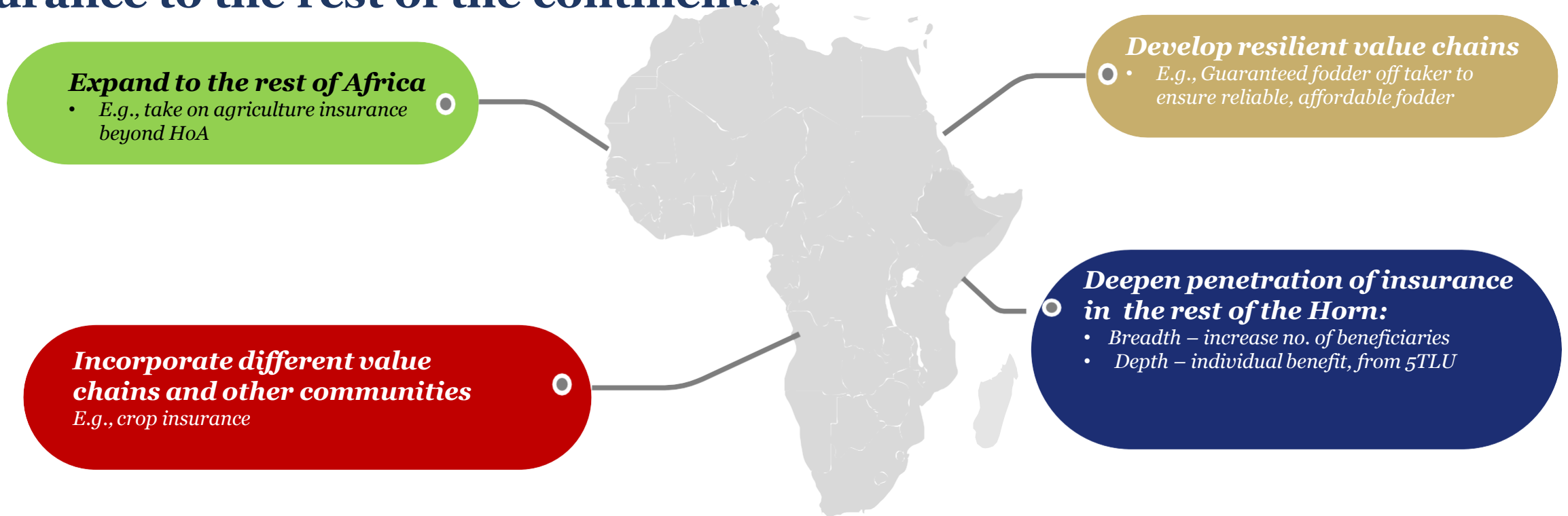
Djibouti - Sovereign policy against drought and flood of 37.5% / 62.5% issued by ARC for a total premium \$2M over 5 years. Initial payment made for the first 3 years for \$1.2M

There has been over 50% representation from women in all the 3 countries.

Key stakeholders support is necessary to sustain this strong appetite



Aggregation of risk continues to be a focus for sustainability, DRIVE has built a mechanism that can be leveraged to expand opportunities in agriculture insurance to the rest of the continent.



Foundations of the DRIVE Mechanism

- **Private sector partners engagement** in fin. services
- **Product development** structures
- **Effective capacity building and awareness** to vulnerable communities
- **Distribution channels** for last mile reach, enabled by a digital platform
- **Aggregation of beneficiaries**
- **Fiduciary manager role** for government and multi/ bi laterals

THANK YOU!

DRIVE KENYA

Email: drivekenya@zep-re.com | Tel: + 254 709 973 301

driveethiopia@zep-re.com, drivesomalia@zep-re.com



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