



DRIVE

Derisking Inclusion & Value Enhancement
of Pastoral Economies in HoA (Horn of Africa)

ICII Conference Nepal 23rd October 2024



THE WORLD BANK

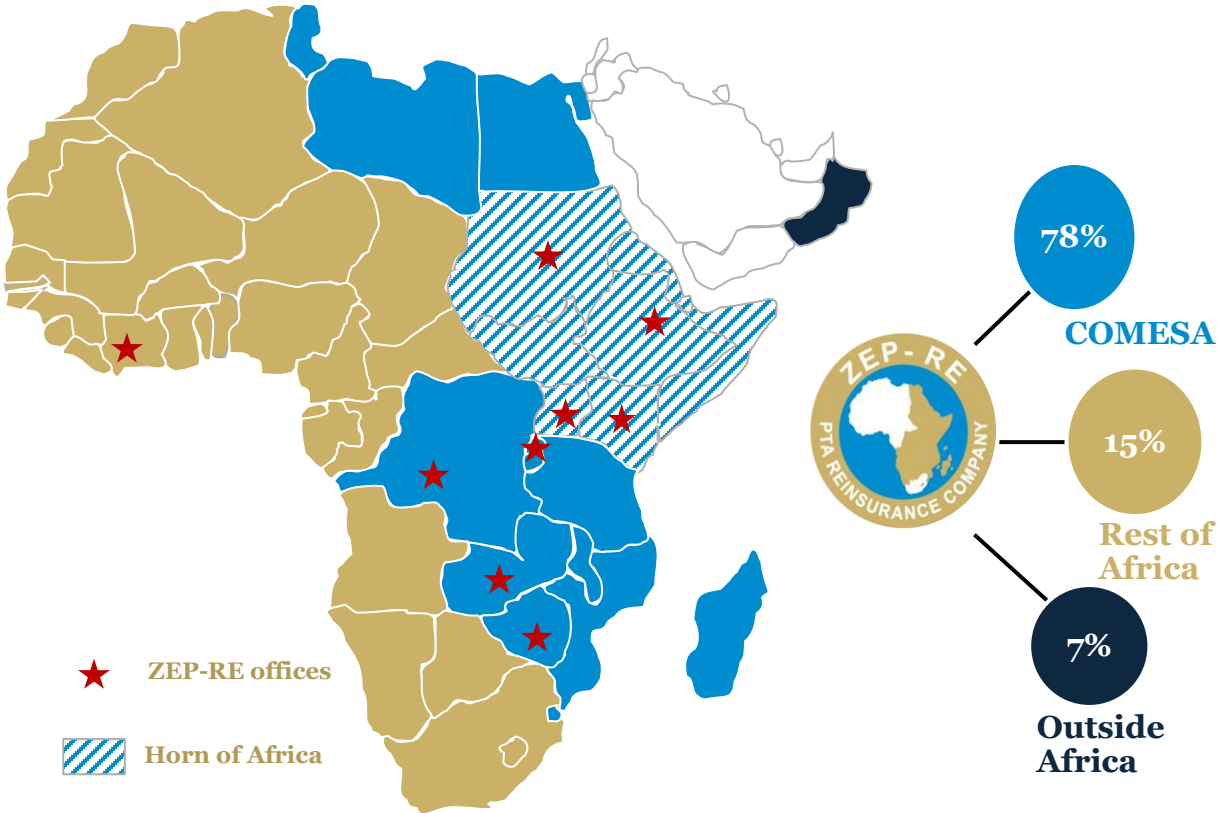


ZEP-RE is a Pan-African Public-Private Partnership established by governments to foster development of the (re)insurance industry and close the protection gap.

Established **1990**, by heads of state of then PTA (COMESA) countries

Regions of Operations

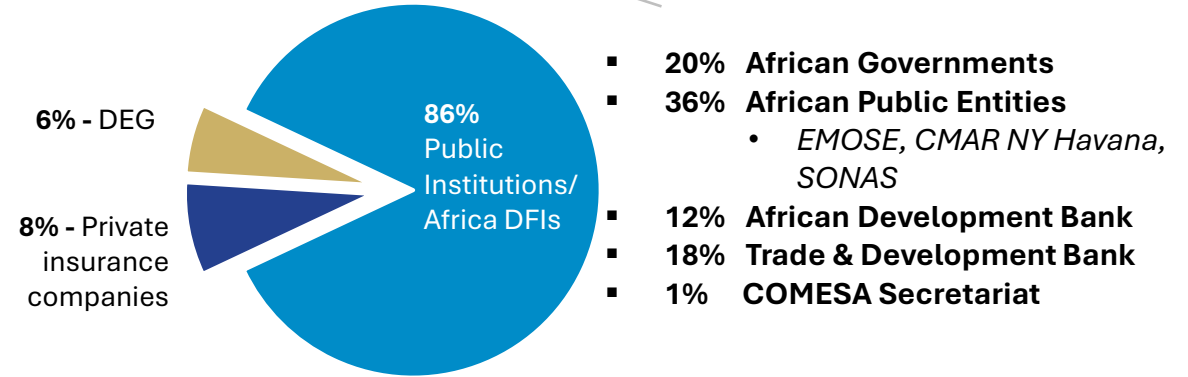
Underwrite +4,000 treaties | Support +500 companies | +50 countries (AFR/MENA)



9 Offices and Regional hubs: Nairobi, Khartoum, Lusaka, Abidjan, Harare, Kampala, Addis Ababa, Kinshasa, Kigali.

ACRE Africa has local presence in Kenya, Tanzania, Zambia, Rwanda, and Nigeria and opening new offices

Shareholding structure and credit rating



FSR: B++ | ICR: bbb+
 “Very Strong Balance Sheet”











AAA_(KE)
 “Strong Financial Profile”

Mandate

- Increase **insurance penetration** and deepen **financial inclusion & resilience**
- Skill the industry and develop technical capacity
- Promoting **cross border trade** - YC and RCTG pools
- Create and administer **pools for various risks**
- Provide **technical assistance** to (re)insurance institutions in the sub-Region
- **Invest funds** in the sub-Region to promote **economic development**

ZEP-RE works with Member States Governments and private sector to develop products to increase insurance penetration to deepen financial inclusion

	AFFORDABLE HOUSING	Collateral replacement indemnity product: +1,500 low-income earners in East Africa have been able to own their first home. Engaging with government stakeholders to scale up this initiative.
	AGRICULTURE	Agriculture insurance coverage: Zambia: 1m farmers /Uganda: +60k farmers /Kenya: +250k farmers. Acquired ACRE that supports the scale up of agricultural schemes in African countries.
	REGULATORS ENGAGEMENT	Annual EA-level regulator forums in Africa promote collaborative efforts to strengthen the insurance industry by implementing best practices and shared experiences for market growth and penetration.
	INNOVATION & INSURETECH	Adoption of technology as an enabler of end-to-end processes to optimize distribution and costs. Acquired platforms to scale bancassurance, micro-insurance & explored digital solutions for medical & motor insurance.
	IMPACT INITIATIVES	Establishment of an impact fund dedicated to development initiatives, with 0.5% of annual profits allocated for funding purposes.
	REGIONAL TRADE FACILITATION	Manage the COMESA YC and RCTG pools by promoting cross-border regional trade covering over 15 countries in Africa.
	ZEP-RE ACADEMY	Capacity building to deliver on mandate of developing technical skills in the region covered over 37 countries in Africa in 2020 (over 7,000 trained).
	LONG TERM SAVING SCHEMES	Support to governments to develop long-term saving schemes bundled with a bouquet of micro life products (Example: Ejo Heza in Rwanda).

ACRE Africa, is ZEP-RE's subsidiary and arm for climate adaptation and resilience.

Through this subsidiary, ZEP-RE is serving farmers using technology & insurance products to deepen financial inclusion



ACRE Africa is the brand name for **Africa Climate Risk Enterprise Ltd (ACRE)** which was set up in 2014 by Syngenta Foundation.

As we continue to improve and increase access to agricultural insurance products, ZEP-RE invested in ACRE Africa which targets farmers directly.

ZEP-RE owns 56%

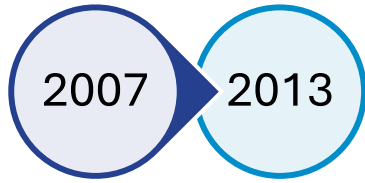
ACRE also enjoys support from significant minority shareholders - **Grameen Credit Agricole and former Syngenta Foundation.**

ACRE's aim is to use innovation and technology to radically enhance the livelihoods of smallholder farmers in Africa.

Use of accurate and affordable products, tech and remote data – satellite and photos – helping to lower the costs of insurance by 30-50% for farmers and reduced fraud. Enabled around 4 million smallholder farmers access insurance in Africa.



The Journey of index-based livestock insurance

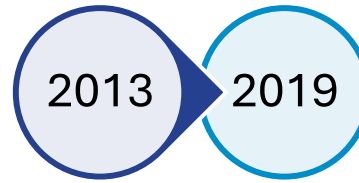


Index-based Livestock Insurance
Micro-targeted insurance (technical support of ILRI, the World Bank, FSD Kenya and funded by DFID, EU)

Research by ILRI

Implementation: Individual underwriters

Challenges: Scaling due to affordability of the product by pastoralists

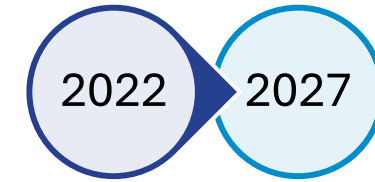


Index-based Livestock Insurance
Micro-targeted, Macro 100% funded insurance (technical support of ILRI, the World Bank, and FSD Kenya)

Research by ILRI

Implementation: Consortia led by insurers (e.g., KE: APA Insurance)

Challenges: Scaling and sustainability due 100% Govt premiums purchase, high capital exposure (e.g. KE 109% loss ratio) and delayed government funding



Index-based Livestock Insurance
Micro-targeted, Macro partial funded insurance (funded by the World Bank and Global Shield)

Research by Consortia

Implementation: Regional approach led by ZEP-RE Component 1

Approach: Regional, timely government funding, more capital, uniformity in product, financial literacy, timely payments, etc.



Current DRIVE Countries:



Project Objective

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

Project Financing

\$360.5 million total project cost

\$28 million Component 1 GRiF grant



Component Structure

1



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

Support the provision of an integrated package of financial services to build climate resilience through parametric drought insurance, savings incentives, digital accounts & platform, financial literacy

implemented by:



2



Livestock Value Chains and Trade Facilitation (\$181.5 Million)

Better include pastoralists in the livestock value chain and facilitate trade in the Horn of Africa

implemented by:
national agencies



ZEP-RE core role: Develop a DRIVE platform that can be replicated for climate resilience initiatives in the continent

Elements of the climate resilience platform

Stakeholders
Engagement.
Gvts,
development
partners and
private sector

Product
Development
for resilience/
fin inclusion

Last Mile
Distribution
Channels.
Capacity
Building and
Awareness

Aggregation of
beneficiaries
and **linkages to**
markets

Fiduciary
Management
across countries

Digital infrastructure can facilitate operational processes and cross-institutional collaborations

Climate resilience platform can be leveraged to:

ROLLOUT IN HOA, SAHEL REGION & BEYOND

Deepen uptake in
Eth/Ken/Somalia for
enhanced resilience e.g., cover
additional livestock

Expand to additional
HoA countries like
Uganda, Tanzania and South
Sudan

Replicate the model to
other regions like the
west Africa, Sahel, South
Africa and beyond Africa
to stabilize pastoral
economies

ZEP-RE's Execution of DRIVE Project Component 1: Ensuring Key Elements for Project Success

PRODUCT - FINANCIAL SERVICES

LIVESTOCK INSURANCE – *approved by the Regulators*

- **Index-based livestock insurance (IBLI)** coverage for Livestock
- **Premium subsidy** to support breeders up to five Livestock Units

SAVINGS ACCOUNT

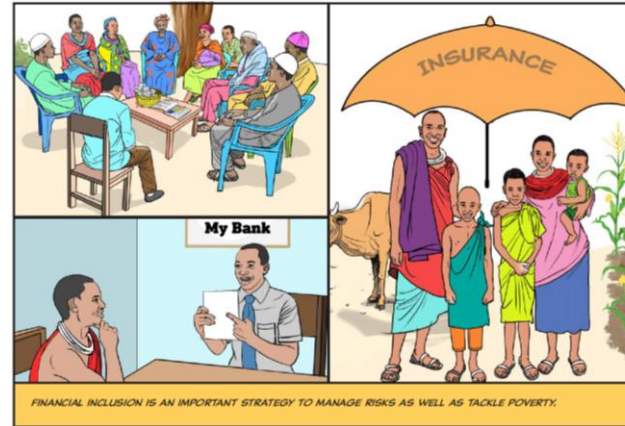
- **Sign-up bonus** to introduce savings with formal financial institutions
- **Ongoing bonus** to encourage continued savings

DISTRIBUTION CHANNELS – AGGREGATION

Aggregation at the community level through existing groups for sustainability

Ethiopia, has strong cooperative model
Kenya, we engage with loosely formed groups like women groups, savings groups that need to be strengthened

CAPACITY BUILDING – OUTREACH AND DISTRIBUTION



Snippet from DRIVE Training Booklet

CAPACITY BUILDING of regulators, financial institutions, governments to ensure a strong understanding of the financial services

E.g., Insurance & Takaful Bill supported the Government of Somalia to develop these bills

AWARENESS CREATION of the pastoral communities through workshops, local radio campaigns, comic booklets etc

DIGITAL PLATFORM

Digital Platform has 3 elements - USSD , Mobile App and Web Portal




Allows digital Pastoralists Registration and accurate financial package distribution and linkages to players in the livestock value chain for access to products like fodder/ water and market access

Status update: Over 450k policies including OND 2024 season results of over 70,000 additional policies, over 3,500 additional groups,

Total Number of Beneficiaries, Gender split and Productive Groups
Current premiums: USD 43 million before OND 2024 figures (

Country	Policies covered Y1 & Y2	% women	Pastoralists covered Y1 & Y2	Total Pastoralists and dependents	Groups
Kenya	138,679	60%	131,067	838,829	7,763
Ethiopia	137,451	45%	106,518	681,715	240
Somalia	113,373	59%	112,261	718,470	2,578
Total	389,503	60%	349,846	2,239,014	10,581

Product Details: DRIVE implements an asset protection drought insurance designed to keep livestock alive and supplement pastoralists' savings during drought events.

			
Livestock Insurance			
Av Premium /TLU*	\$29.6	\$29.1	\$31.8
Subsidy	65%	70%	80%
Savings Incentive			
Enrolment	\$50	\$50	\$50
Ongoing	15% - max of \$100	10% - max of \$50	10% - max of \$50
Sum insured /TLU* <i>(Claims amount paid out in case of total loss for livestock sustenance)</i>	\$140	\$140	\$150
Distribution Partners	Aggregator model, involves use of groups like women groups, savings groups, Coops, NGOs etc. that brings together pastoralists	Village insurance promoters – Cooperatives. Banks/ MFI – sales agents <i>Supported by the regional and National Gvt</i>	Insurers and Livestock Promoters Agents (LPAs) that aggregate & provide services to pastoralists <i>Supported by Local Gvt</i>

*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.

Collaboration of various stakeholders has been critical to ensure the successful implementation of DRIVE component 1

Public Entities

20+ Government Entities

National Government Ministries and County/ Regional/ Federal Member States entities

Aggregation of Groups

10,000+ Groups

Like Cooperatives, women groups, savings groups, Coops, NGOs etc. that brings together pastoralists

Financial Institutions

10 Banks

Local banks in the 3 countries, operating in the pastoral regions

22 Insurers

Local insurance companies in the 3 countries

8 Reinsurers

Regional and international reinsurers

Illustration of the multiple stakeholders that have collaborated to execute DRIVE (example of Kenya)



PARTNER INSTITUTIONS



Areas of improvement

Increase renewal rate that are at 30% and repeat at 47%

Challenges: No claim payout years, reducing subsidy rates

Potential Solutions: Research testing, no claims discounts, profit sharing for sharia products, increased education, access to better livestock markets, riders, mobilisers incentives, sharpen communication via digital (SMS & USSD), radio and other suitable channels

Improve Community Mobiliser Engagement

Challenges: Fall out of mobilisers who find something new to do after sales window, low commission for those with low access of groups.

Potential Solutions: Research testing, Mobilisers incentives, continuous engagement through market access, large groups

Low cost-efficient grievance mechanism

Challenges: Low digital connectivity in some countries hinders digital grievance mechanism

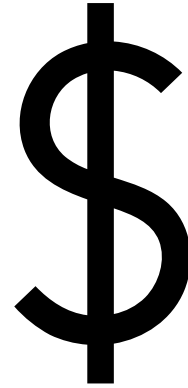
Potential Solutions: Use of Community mobilisers, aggregators like cooperative and government officials as last mile representatives

NEXT STEPS: Expansion – new countries, new funding, replication of model



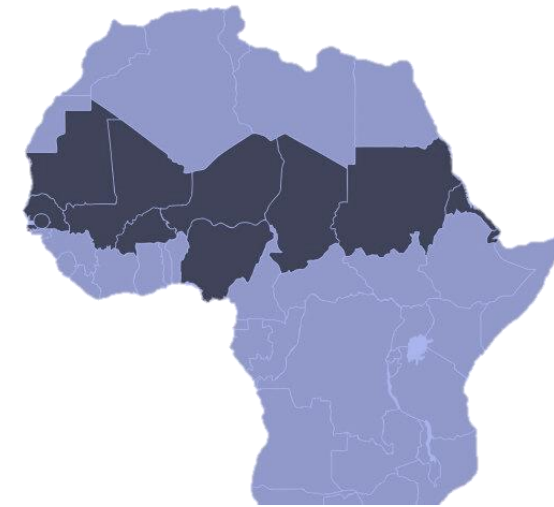
CURRENT COUNTRIES: Kenya, Ethiopia, Somalia and Djibouti

APPLICATIONS: Uganda, Sudan made applications, Tanzania has expressed interest



ADDITIONAL FUNDING

Other development partners and donors may join the platform.



APPROACH REPLICATION

The platform could be replicated in other regions by leveraging good practices. A regional feasibility study on index-based livestock insurance was conducted by ILRI in the Sahel.



ZEP-RE
(PTA Reinsurance Company)

Thank you

Michael Mbaka – DRIVE Country Manager Kenya mmbaka@zep-re.com +254 721 839 383

**Benjamin Kamanga –Director, Public Sector & Inclusive Solutions bkamanga@zep-re.com
+254 722 436 570**

Sylvia Mwangi –DRIVE Leads smwangi@zep-re.com +254 720 241 349