

ZEP-RE (PTA Reinsurance Company)

Implementing Agent of DRIVE – Component 1

*DE-RISKING, INCLUSION AND VALUE ENHANCEMENT OF PASTORAL
ECONOMIES IN THE HORN OF AFRICA PROJECT*



DRIVE in a nutshell

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

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

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 2 components with strong linkages

Component

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

Core objective of the component

- Designing and provision pastoralists in Ethiopia, Kenya and Somalia an integrated package of financial services, including drought index insurance, savings accounts, and digital payment accounts
- **Building the capacity** of the countries' stakeholders and drought insurance awareness
- Designing a sovereign climate insurance policy to be acquired by Djibouti for the government to provide protection to its population, including pastoralists

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

- **Upgrading quality infrastructure** to ensure compliance of livestock and livestock products with international standards; building the capacity of agencies in charge of quality infrastructure; and supporting Mutual Recognition Agreements in HoA
- **Supporting trade facilitation and trade logistics** livestock and livestock products
- **Establishing a facility to de-risk private investment** in the livestock value chains and to support local productive capacities

Implementing Agent



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Different government ministries in the participating countries

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

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Key indicators

1.6 Million

Pastoralists and their dependents covered by financial services

2,500

Pastoralist groups supported and connected to markets

\$500 Million

Private capital enabled from (re)insurers

\$72 Million

Private capital mobilized through the facility to de-risk private investments

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

- 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

The project has two components with strong linkages



Funds allocated for Component 1

For Component 1, countries will participate through US\$151 million of IDA; as a contribution to Zep-Re, support savings incentives and insurance premium.

In addition, the project mobilizes a grant of US\$28 million from GRiF to be extended and managed by ZEP-RE



	Djibouti	Ethiopia	Kenya	Somalia	Total
IDA	1	45	75	30	151
- Startup costs		4.5	7.5	3	15
- Savings incentives		13.5	22.5	9	45
- Insurance premium	1	27	45	18	91
GRIF (extended to and managed by ZEP-RE)	1	9	9	9	28
- Implementation costs (incl. capacity building)		5	5	5	15
- Insurance premium	1	4	4	4	13

Target beneficiaries over the 5 years is 250,000 pastoralists



	New signed-on pastoralists per year	Cumulative numbers over the years				
		1	2	3	4	5
Ethiopia	15,625	15,625	31,250	46,875	62,500	78,125
Kenya	25,000	25,000	50,000	75,000	100,000	125,000
Somalia	9,375	9,375	18,750	28,125	37,500	46,875
Total	50,000	50,000	100,000	150,000	200,000	250,000

Key Indicators

Component 1: Package of financial services for climate resilience

1.6 Million

Pastoralists and their dependents covered by financial services

2,500

Pastoralist groups supported and connected to markets

80%

Percentage of pastoralists in target areas who received training to understand the financial products

\$500 Million

Private capital enabled from (re)/insurers



Component 2: Livestock Value Chains and Trade Facilitation

\$72 Million

Private capital mobilized through the facility to de-risk private investments

700

National Quality Infrastructure professionals trained on quality infrastructure

20

Trade facilitation measures supported

Progress Update

1

Government engagement

- **Completed the 3 countries' engagements** in July and finalized the implementation manual
- **Somalia declared project effectiveness.** Tracking to get Kenya effectiveness next

2

Product Finalization

- **Insurance - Engaging (re)/insurers and other IBLI experts** like ILRI to finalize the product development and define the distribution models and capability building. **Pursuing product registration approval** across the countries, currently positioned as a regional product
- **Savings – Collaborating with banks** to conceptualize the integration of the savings into the financial package

3

Training and financial awareness

- **Leveraging academy and external experts** to draft the training content for aggregators and pastoralists
- **Engaging aggregators** - financial institutions and donors that will support in the training distribution of the package

Project Planning

- **Systems set up – Lining up the critical systems to deliver the project [**
- **Recruitment - Finalized the 3 country managers' contracting.** Next prioritized roles are the capacity building, finance, communications, insurance and actuarial lead roles

Support Required

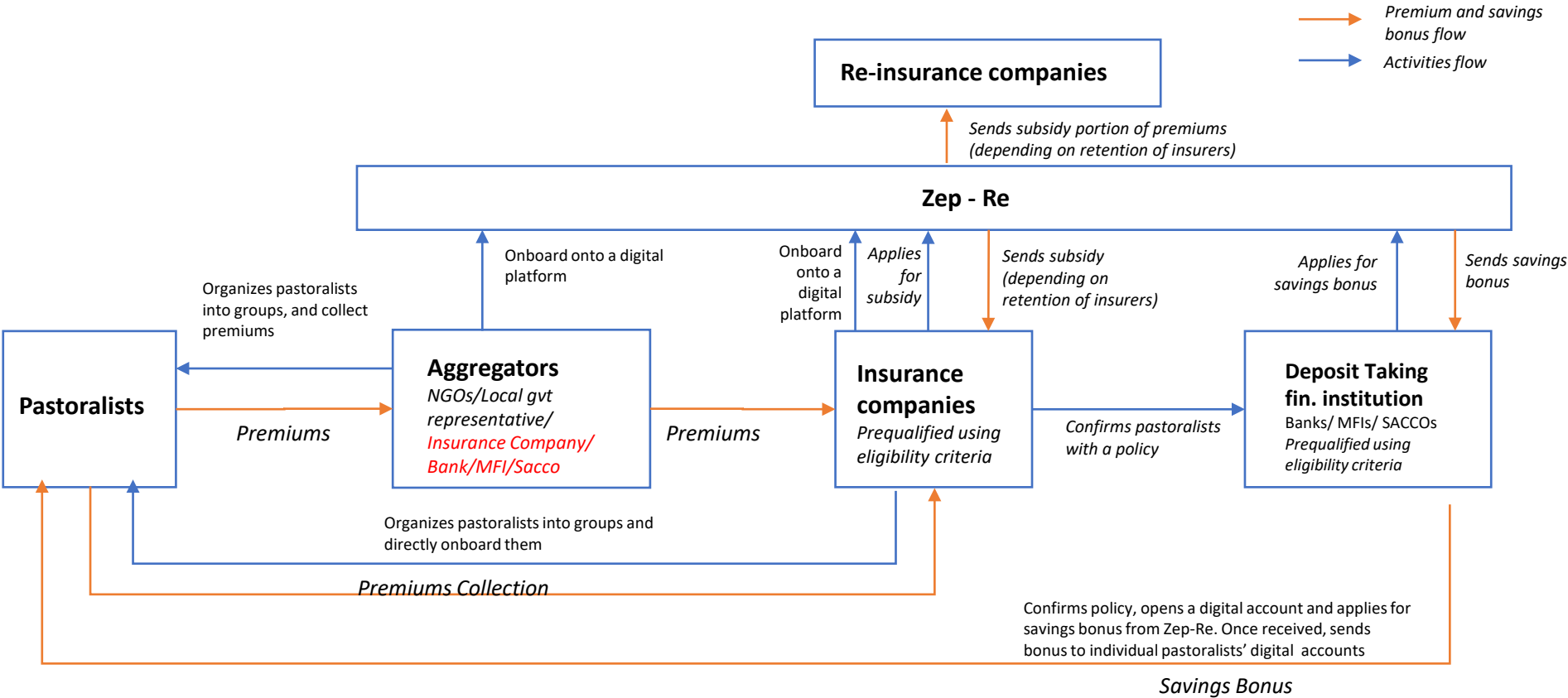


- **Project progress - Support team members as they carve out time for the project, share any relevant background material**
- **IT Systems – Keep that continued collaboration and problem-solving!!**
- **Recruitment – Referrals of strong candidates and sit in specific interviews, distribute the effort across the team**



Annex

Premiums and savings bonus process flow



Funds will be managed by Zep-Re and will flow into the financial services value chain

Contribution of pastoralists

Pastoralists will be expected to contribute to the cost of the services (i.e., partial contribution to insurance premium and a willingness to save).

Aggregation

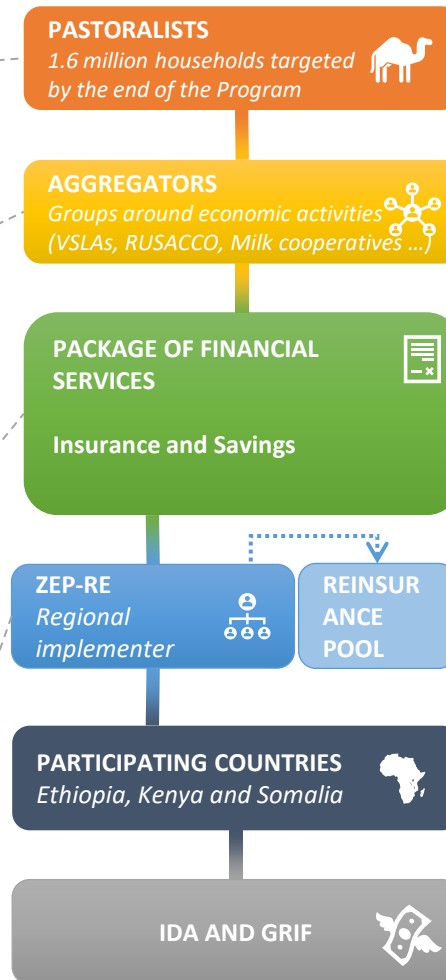
DRIVE will target pastoralist groups that are constituted around economic activities and have the potential to engage in commercial activities.

Package of financial services

To protect pastoralist groups against drought, the project will provide insurance policies, savings bonus, and digital accounts, which all work together within a single package. Insurance aims to cover severe to extreme droughts while savings will build financial resilience for smaller shocks.

Single regional implementer

To manage the project flow of funds on countries behalf (for investments in financial services) and to develop the platform of financial services. A single entity will bring the benefit of economies of scale, specialization, partnerships and upstream engagement with (re)insurers to ensure capacity



Financial education

The package of services will be complimented by investments in education to ensure pastoralists are aware of how financial services more broadly work, what to expect and to build trust.

Private sector approach

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

Reinsurance

ZEP-RE will manage upstream engagement with (re)insurers

Reporting and accountability

Countries will borrow and ZEP-RE will implement on their behalf under a subsidiary agreement. ZEP-RE will report on the use of resources and project advancement on a regular basis through a Steering Committee