

Terms of Reference for Delineation of Unit Areas of Insurance (UAI) to Support HOA DRIVE Project Product Design in Ethiopia, Kenya and Somalia

1. Background

Pastoralists represent 33-65 percent of the population in the Horn of Africa (HoA) and are considered one of the poorest communities in the region. Overreliance on rainfed agricultural activities makes them particularly vulnerable to climate shocks, including droughts. Pastoralists tend to keep large herds as protection for anticipated drought shocks. However, extreme droughts which tend to be recurrent in the region, often lead to massive livestock mortality, closure of markets and loss of livestock market value due to deteriorating body conditions. Emergency response to drought tends to be delayed often when significant livestock losses have occurred. Furthermore, pastoralists are currently at the bottom of the livestock value chains and are unable to access proper livestock markets (processors/exporters) due to lack of sufficient livestock quantity of good quality.

In this context, the World Bank Group (WBG) is supporting De-Risking, Inclusion and Value Enhancement of pastoral economies in the Horn of Africa Project (DRIVE), a regional International Development Association (IDA) project implemented in Djibouti, Ethiopia, Kenya, and Somalia. The Project Development Objectives (PDO) are 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 will support the climate adaptation of pastoralists and help them extract greater value addition from their livestock. It will protect them against drought with enhanced access to financial services, strengthen their inclusion in the livestock value chain, and facilitate the regional livestock trade.

The DRIVE project has two Components, as below. This assignment is aimed at facilitating the implementation of a key objective of Component 1,

Component 1: Package of financial services for climate resilience, (Implemented by ZEP-RE).

This Component supports the support the following program of activities to build climate resilience:

- Designing and provision of an integrated package of financial services, including savings accounts, Drought Index-Based Livestock Insurance (IBLI), and digital payment accounts.
- Building the capacity of Ethiopia, Kenya and Somalia and local financial institutions to provide the integrated financial services to pastoralists, including developing a digital platform of services, carrying out financial literacy education, financial services and drought insurance awareness campaigns, and provision of training.

Component 2: Livestock Value Chains and Trade Facilitation, (Implemented by Governments of Ethiopia, Kenya, and Somalia)

This Component will support private sector investment in the livestock value chains and link pastoral producers to reliable markets:

- Upgrade quality infrastructure (such as testing facilities, traceability systems, certification services, inspection services and quarantine systems) to ensure compliance of livestock and livestock products with national and international standards.
- Facilitate trade in livestock and livestock products by, inter alia, (i) strengthening quarantine facilities and their efficient linkages to ports, including digitization of export and sanitary certificates, improvement of logistics for transit of live animals and livestock products, improvement of data infrastructure on livestock trade.

2. Scope of this consultancy

The scope of this assignment is in line with component 1 and is aimed at facilitating the design and implementation of the IBLI Product for Ethiopia, Kenya, and Somalia. The objective of this assignment is to support DRIVE to define homogenous Unit Areas of Insurance (UAIs) and support the design of a drought index insurance product that fits with the agro-ecological, seasonal and livelihood needs of the pastoral households in Ethiopia, Kenya, and Somalia.

3. Target locations

Country	Region/Country	Work Required	Date for completion	Notes
Ethiopia	Afar	UAI Delineation Required	2023-December	Unimodal and super arid areas Product customization required
Kenya	Kilifi	UAI Delineation Required	2023-December	
Kenya	Makueni	UAI Delineation Required	2023-December	
Kenya	Tharaka Nithi	UAI Delineation Required	2023-December	
Kenya	Kitui	UAI Delineation Required	2023-December	
Kenya	West Pokot	UAI Delineation Required	2023-December	
Kenya	Baringo	UAI Delineation Required	2023-December	
Kenya	Meru North	UAI Delineation Required	2023-December	
Kenya	Kwale	UAI Delineation Required	2023-December	

Kenya	Taita Taveta	UAI Required	Delineation	2023-December	
Ethiopia	Southwest	UAI Required	Delineation	2023-December	
Ethiopia	Somali	Ground Required	Truthing	2023-September	
Somalia	Afmadow, Middle Juba	UAI Required	Delineation	2023-December	NDVI unsuitable Feasibility study for alternative indices/product
Somalia	Lower Shebelle	UAI Required	Delineation	2023-December	
Somalia	Bay	UAI Required	Delineation	2023-December	
Somalia	Middle Shebelle	UAI Required	Delineation	2023-December	
Ethiopia	SNNP	UAI Required	Delineation	2023-December	
Ethiopia	Oromia, New zones	UAI Required	Delineation	2023-December	

4. Tasks under this consultancy

	Task	Details
1	Product Design Preparation	<p>Collate and process geospatial layers needed to design the contract (e.g. NDVI time series, phenology, land cover, administrative boundaries, grazing areas etc). It is expected that agroecological characterization (NDVI signals, precipitation), pastoral movement patterns and their experiences will be used to define homogeneous UAI clusters for understanding/monitoring of drought related forage scarcity and estimation of payouts.</p> <p>Support Government Ministries/Departments responsible for Livestock in Ethiopia, Kenya and Somalia (PIUs) to validate defined UAIs and design tools required for the validation (ground truthing) exercise that will inform the product design customization process (ideally with local institutions, local administration, communities/pastoral associations, private sector such as insurance underwriters, etc).</p> <p>Conduct a general training on IBLI-like products for the validation exercise in Ethiopia, Kenya, and Somalia and ZEP-RE (the project implementer for component 1).</p>

	Task	Details
2	Product design customization workshop - Unit Areas of Insurance (UAI) determination	<p>Conduct a clustering exercise with the TWGs for collecting general information on the socioeconomic status of the targeted pastoral group, and initial delineation of UAIs for later validation by pastoral community representatives.</p> <p>Leverage the clustering exercise to perform initial community stakeholder engagement. This should involve: i) training on IBLI concept, elicit views and buy-in of the product; ii) collect information on product design and payout preferences; iii) understand their level of awareness on the product and ensure product buy-in; iv) conduct a socioeconomic analysis to assess the community economic status and willingness to buy; v) Collect information on historical drought outlook, resources needed to cope with drought for meaningful product pricing (e.g. estimates of total sum insured), perceptions on savings and other coping strategies; vi) Validation of delineated UAIs, confirm seasonal patterns (wet-dry) for defining sales and payout windows, community grazing areas and pastoral migration patterns and extents.</p>
3	Scenario analysis	Based on the UAIs, defined and product customization, determine indicative historical payout and risk rates. This will provide insights into product pricing and design in the DRIVE project target areas.
4	Dissemination and Awareness	For DRIVE team and all key stakeholders on outcomes and recommendations on product design and distribution of the IBLI product.

5. Key deliverables

During the assignment, the consultant is expected to provide the following:

- i. Attending project inception meetings with ZEP-RE, where ZEP-RE will share with the consultant/s details of the current product and how it is structured including areas that have been delineated and key issues that have been observed.
- ii. Inception report including a workplan for validation by the ZEP-RE team,
- iii. A technical report detailing the UAIs and scenario analysis providing indicative historical payouts and several product pricing options. A draft report should be shared with the ZEP-RE team for review, then a final report with integrated edits. The consultant will throughout the duration of the contract be required to provide bi-weekly updates to ZEP-RE and its stakeholders.
- iv. UAI geospatial layers and accompanying metadata in suitable formats.
- v. A Word document and PPT slide deck summarizing the product design process/recommendations and results.

6. Project timeframes, Payment Schedule, and Delivery Dates

The duration of the contract is 5 months from inception of the contract. Project delivery dates are outlined in the table below. The Consultant is expected to complete all work from the Consultants location, with some field visits to the selected regions¹ for potential implementation of the livestock insurance product. The Consultant is expected to join weekly conference calls with the ZEP-RE team to update them on progress.

NOTE: All fieldwork for UAI validation will be organized and facilitated by the Ministries in charge of Livestock in each country and will bear all logistical costs related to the exercise. Therefore, the consultant should only bill for costs related to their participation in the exercise excluding costs such conferencing, transportation/refunds for pastoralist and per diem for participating government officers.

Deliverables	Timeframe	Payment Schedule
1	One week after start of contract	15% of Consultancy
2 in draft	Draft report and presentation to WB team on UAIs and indicative historical payouts and costing/pricing by end of month 2 of the contract	35% of the Consultancy
2 / 3 / 4	Final report plus, PPT and excel sheet of Geospatial and Metadata representing the defined UAIs by end of Month 5 of the contract	50% of the Consultancy

¹ List of target areas in each target country to be provided by ZEP-RE.

7. REQUIREMENTS/ PROFESSIONAL EXPERIENCE AND QUALIFICATIONS

The Consultant is expected to be a firm or an association of consulting firms with the following with the appropriate capabilities and experience to execute the services.

6.1 Experience of the organization and Key Staff.

The consultant should have not less than 3 years of demonstrated experience in doing similar work or UAI delineation for Insurance purposes. The team leader should have experience or advanced university qualification in Geospatial Analysis and Rangeland mapping. The team should also include specialists in Economics/Development Economics, Actuarial Science, Project management and gender studies and any other skills necessary for accomplishing the scope of work.

Consulting Firms are encouraged to collaborate with other individuals or organizations to ensure the proposed approach and the team that is proposed to undertake the assignment is robust enough. However, the number of organizations in a consortium must not exceed four (4).

8. Proposal.

The consulting Firms should send technical and a financial proposal detailing how they would undertake the assignment including the methodology to be used demonstrating their experience of in undertaking the assignment attaching the CVs of the key proposed team and person time input.

9. Language Requirements.

All documents must be provided in English.