DRIVE IN KENYA:

1. PROJECT STRUCTURE
2. COMPONENT 1 - IMPLEMENTATION & DELIVERY APPROACH
3. COMPONENT 2 LINKAGES WITH C1
4. ACHIEVEMENTS
5. Q&A

Maurice Ouma
DRIVE Coordinator
State Department for Livestock (SDL)
Government of Kenya
1. Pillar 1: An Interconnected Horn: Regional Infrastructure Networks covering economic corridors, energy and digital.


3. Pillar 3: A Resilient Horn: building resilience to climatic shocks and finding regional solutions to address challenges faced by borderland communities

4. Pillar 4: Human Capital Development Improved human capital and service delivery
THE PROBLEM in Kenya and the wider region

- Pastoralism and livestock production is an important source of livelihoods, income, and contribution to GDP, but highly expose to climate shocks like droughts.
- Pastoralists hold on to their animals at the onset of drought and are forced to sell at low prices once drought takes hold.
- Disconnect between pastoralists and the end markets – the livestock value chains (LVCs) are dominated by traders, with limited price information available and limited benefits going to the pastoral producers.
- Access to formal financial services and credit for pastoral producers is limited, in particular for women.

THE SOLUTION: A project to support the climate adaptation of pastoralists and help them extract greater value addition from their livestock, through integration in value chains and livestock trade

DRIVE’S TWO REINFORCING COMPONENTS:

1. FINANCIAL RESILIENCE TO CLIMATE SHOCKS
2. LIVESTOCK VALUE CHAINS
COMP. 1 & 2: COMPLIMENTARY IMPACTS

UNIQUENESS OF DRIVE
Building sustainable infrastructure for long term resilience

Financial Services

C1
FINANCIAL INCLUSION OF INDIVIDUALS

- Financial inclusion
- Savings account
- Livestock insurance

RESILIENCE
Decreasing hardship

SUCCESS = pastoralists getting better value for their animals and off-loading more regularly

Investments

C2
INTEGRATION OF REGIONAL MARKETS

- Quality Infrastructure
- Trade facilitation
- De-risk investment

Focus of C2 in KENYA

PROSPERITY
Increasing opportunities
COMPONENT 1 – OVERVIEW/ACHIEVEMENTS

COMPONENT 1 - FINANCIAL PACKAGE

FINANCIAL INCLUSION
- Financial literacy efforts tailored to cultural and gender context
- Awareness activities on design and benefits of financial services

SAVINGS ACCOUNT
- Enrolment bonus to introduce formalized savings habits
- Ongoing savings bonus to incentivise continuous saving

INDEX-BASED LIVESTOCK INSURANCE
- Index-based livestock insurance (IBLI) coverage for TLUs
- Premium subsidy to support pastoralist for up to five TLUs

COMPONENT 1 IN KENYA – ACHIEVEMENTS TO DATE

Regions: 12 counties
Coverage: 108,694 households (59% female policyholders)

Savings payment
Enrolment bonus
Ongoing savings bonus

Total: USD 4.6m
P.p.: USD 50
P.p.: 15%, up to USD 100

Sum insured
Premium cost (subs. portion)
Subsidy level
Payouts to date

Total: USD 51.8m
USD 140 per TLU
Total: USD 10.5m
Total premium/TLU: USD 30.5
80%/70%, up to 5 TLUs (reducing each year)
USD 4.8m (Short rains 2022 & Long rains 2023)
COMPONENT 1 – INDEX INSURANCE

Satellite data using remote sensing based on Normalised Vegetative Difference Index (NDVI) (aka “Green Index”) as a measure of the nutritional quality of pasture and grazing for livestock

**DRIVE NDVI IBLI product** in Kenya (Garissa, Wajir, Tana River, and Samburu) during the 2022 Short Rains season, in which **serious (red)** and **severe (black)** drought conditions occurred:

<table>
<thead>
<tr>
<th>Severity</th>
<th>Forage Availability</th>
<th>Cum. NDVI (%) Range</th>
<th>Insurance Payouts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green</strong></td>
<td>Good / above normal</td>
<td>65-100</td>
<td>None</td>
</tr>
<tr>
<td><strong>Yellow</strong></td>
<td>Sufficient / normal</td>
<td>45-65</td>
<td>None</td>
</tr>
<tr>
<td><strong>Orange</strong></td>
<td>Scarce / below normal</td>
<td>25-45</td>
<td>None</td>
</tr>
<tr>
<td><strong>Red</strong></td>
<td>Serious drought condition</td>
<td>5-25</td>
<td>Proportional Payout</td>
</tr>
<tr>
<td><strong>Black</strong></td>
<td>Severe drought condition</td>
<td>0-5</td>
<td>Maximum Payout</td>
</tr>
</tbody>
</table>
## COMPONENT 1 - PARTNERSHIP STRUCTURE

### Public organizations
- Ministry of Agriculture & Livestock Development
- ZEP-RE
- Council of Governors
- Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME) Development

### Financial institutions
- EQUITY
- KCB
- National Bank
- Go Bank

### National insurers
- APA
- Britam
- Geminia
- CIC
- Fidelity Shield
- GA Insurance
- Heritage
- Jubilee (New)

### Primary insurance
- ICEA Lion
- Mayfair Insurance
- MUA

### Aggregators
- North Green Farm
- KENYA LIVESTOCK MARKETING COUNCIL
- VSF INTERNATIONAL VÉTÉRINAIRES SANS FRONTIèRES
- FORTUNE CREDIT

### Reinsurance companies
- African Re
- Swiss Re
- Allianz

### Digital Accounts
- Ministry of Agriculture & Livestock Development
- ZEP-RE
- Council of Governors
- Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME) Development

### Retrocession
- African Re
- Swiss Re
- Allianz

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(State Department for Livestock (SDL) as the Project Lead & Implementor alongside ZEP-RE)
## DECADE OF IBLI – INFLUENCING C1 DESIGN

### PREVIOUS CHALLENGES

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Drive Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited expertise on products in insurance market</td>
<td>Partnership with the private sector to build capacity, including with ZEP-RE, local insurers (co-insurance type arrangement) and banks, MFIs to strengthen last mile</td>
</tr>
<tr>
<td>High premium rates for pastoralists</td>
<td>Premium subsidies to make product more affordable but reducing over time; increasing protection through savings</td>
</tr>
<tr>
<td>High ecosystem investment costs</td>
<td>Regional implementation leads to risk pooling, economies of scale &amp; reduction of operational costs</td>
</tr>
<tr>
<td>Obstructive insurance legal framework</td>
<td>Digital distribution in collaboration with financial service providers</td>
</tr>
<tr>
<td>Awareness &amp; cultural barriers</td>
<td>Ongoing engagements with IRA to understand constraints, and build understanding on products</td>
</tr>
</tbody>
</table>

### DRIVE INTERVENTION

- Partnership with the private sector to build capacity, including with ZEP-RE, local insurers (co-insurance type arrangement) and banks, MFIs to strengthen last mile.
- Premium subsidies to make product more affordable but reducing over time; increasing protection through savings.
- Regional implementation leads to risk pooling, economies of scale & reduction of operational costs.
- Digital distribution in collaboration with financial service providers.
- Ongoing engagements with IRA to understand constraints, and build understanding on products.
- Awareness creation by ZEP-RE in pastoralist communities, targeting groups constituted around economic activities (C2 linkage).
- Financial literacy efforts on best practices & insurance.
COMPONENT 2 – PRIVATE INVESTMENTS

LIVESTOCK VALUE CHAIN FACILITY

Facility to crowd in finance and de-risk private investment in the livestock value chains and support local productive capacities. KDC find profitable opportunities and target through two financing windows:

- Focus on a few demonstration investments, to illustrate sustainability of business cases focusing on pastoralists. With up to KES 1 Billion (~USD 6 million) available.
- For women and Youth investments in the livestock value chain up to KES 30 Million (~USD 185,000) available for smaller scale investments.

1. Pasture production and conservation
2. Livestock breeding - Boran, Sahiwal, Galla goat, Dorper
3. Livestock finishing
4. Value addition
   Livestock feed processing; livestock products, abattoirs/ slaughter houses; leather – tannery
COMPONENT 2 – ACHIEVEMENTS TO DATE

<table>
<thead>
<tr>
<th>STAGE</th>
<th>KES LOAN AMOUNT</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPROVED</td>
<td>693,662,205 (~USD4.3m)</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APPRAISAL</td>
<td>239,387,810 (~USD1.5m)</td>
<td>8</td>
</tr>
<tr>
<td>SCREENING</td>
<td>4,737,526,112 (~USD29.2m)</td>
<td>17</td>
</tr>
<tr>
<td>VETTING</td>
<td>670,580,978 (~USD4.1m)</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>5,670,576,127 (~USD35m)</td>
<td>32</td>
</tr>
</tbody>
</table>

- Linkage between C1 & C2 driven by **delivery to productive groups**: Financial services targeted to productive groups, and same groups actively linked with off-takers
- **Success is when pastoralists can get better value for their animals** through this linkage and have option to off-load animals that are ready for market
- **Avoids overstretching the rangeland** and losing animals when drought strike
- Linkage also enables other value chain players - feed producers, feedlots and processors - to have **reliable source and market**