



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





DRIVE KENYA – HORN OF AFRICA INITIATIVE



To Deepen Economic Integration and Promote Regional Cooperation

1. Pillar 1: An Interconnected Horn: Regional Infrastructure Networks covering economic corridors, energy and digital.
2. **Pillar 2: More Trade, More Growth, More Jobs: Trade and Economic Integration covering trade facilitation, regional value chains, and improvements in investment climate.**
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

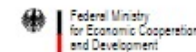


Finance Ministries



Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan

Development Partners





DRIVE IN KENYA – PROJECT ORIGIN



THE PROBLEM in Kenya and the wider region

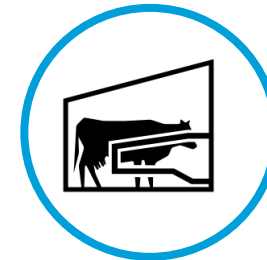
- Pastoralism and livestock production is an important source of livelihoods, income, and contribution to GDP, but highly expose to climate shocks like droughts.
- Pastoralists hold on to their animals at the onset of drought and are forced to sell at low prices once drought takes hold.
- Disconnect 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

Investments

C1

FINANCIAL INCLUSION OF INDIVIDUALS

Financial inclusion



Savings account



Livestock insurance



RESILIENCE

Decreasing hardship

Quality Infrastructure



Trade facilitation



De-risk investment



Focus of C2 in KENYA

C2

INTEGRATION OF REGIONAL MARKETS

PROSPERITY

Increasing opportunities

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

more regularly





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

Total: **USD 4.6m**

Enrolment bonus

P.p.: **USD 50**

Ongoing savings bonus

P.p.: 15%,
up to USD 100

Sum insured

Total: **USD 51.8m**
USD 140 per TLU

Premium cost (subs. portion)

Total: **USD 10.5m**
Total premium/TLU: USD 30.5

Subsidy level

80%/70%, up to 5 TLUs
(reducing each year)

Payouts to date

USD 4.8m (Short rains 2022 & Long rains 2023)

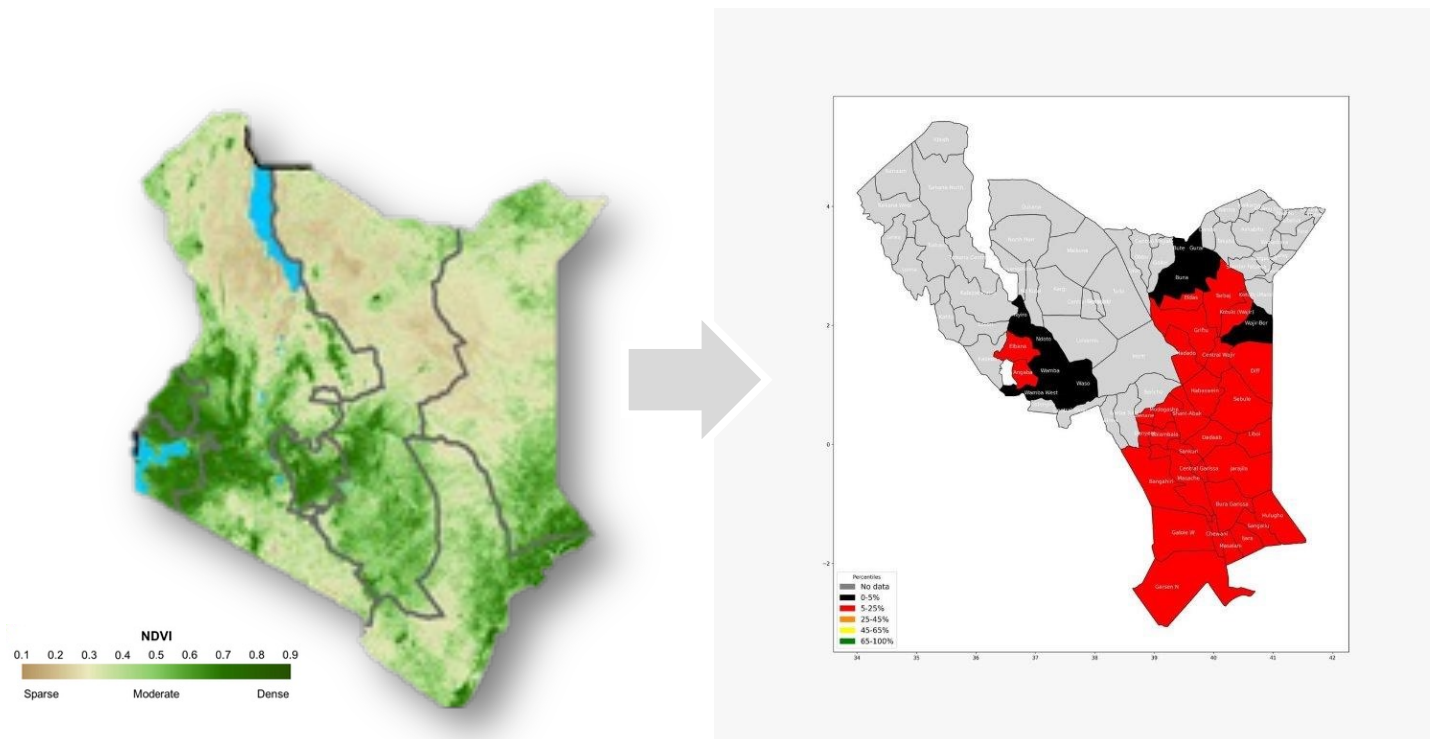


COMPONENT 1 – INDEX INSURANCE



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:



Severity	Forage Availability	Cum. NDVI (%) Range	Insurance Payouts
Green	Good / above normal	65-100	None
Yellow	Sufficient / normal	45-65	
Orange	Scarce / below normal	25-45	Proportional Payout
Red	<i>Serious</i> drought condition	5-25	
Black	<i>Severe</i> drought condition	0-5	Maximum Payout



COMPONENT 1 - PARTNERSHIP STRUCTURE



Public organizations



Ministry of Agriculture & Livestock Development

(State Department for Livestock (SDL) as the Project Lead & Implementor alongside ZEP-RE)



The Council of Governors
48 Governments, 1 Nation



Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME) Development

Digital Accounts

Financial institutions



Primary insurance

National insurers

APA
Britam
Gemina
CIC

Fidelity Shield
GA Insurance
Heritage
Jubilee (New)

ICEA Lion
Mayfair Insurance
MUA

Healthier (K) Microinsurance
Old Mutual (New)
Intra Africa

Aggregators

Aggregators

North Green Farm



KENYA LIVESTOCK MARKETING COUNCIL



Nomad Pro



VSF INTERNATIONAL
VÉTÉRINAIRES
SANS FRONTIÈRES



FORTUNE CREDIT
Delivering Dreams



Retrocession

Reinsurance companies



Swiss Re



Africa Re



SCOR
The Art & Science of Risk

canopius

Allianz

Munich RE



DECADE OF IBLI – INFLUENCING C1 DESIGN



PREVIOUS CHALLENGES

❑ **Limited expertise** on products in insurance market

❑ **High premium rates** for pastoralists

❑ **High ecosystem investment costs**

❑ **Obstructive insurance legal framework**

❑ **Awareness & cultural barriers**

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

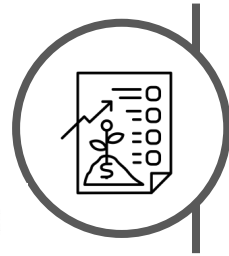
→ ✓ **Awareness creation** by ZEP-RE in pastoralist communities, **targeting groups constituted around economic activities (C2 linkage)**
✓ **Financial literacy** efforts on best practices & insurance



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



STAGE	KES LOAN AMOUNT	NUMBER
APPROVED	693,662,205 (~USD4.3m)	7 (x5 Feedlots, x1 Animal Feeds, x1 Animal Genetics)
APPRAISAL	239,387,810 (~USD1.5m)	8
SCREENING	4,737,526,112 (~USD29.2m)	17
VETTING	670,580,978 (~USD4.1m)	10
Total	5,670,576,127 (~USD35m)	32

- 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**

Thank You



8th Floor, Hill Plaza, Ngong Road, NAIROBI



pc-drive@kilimo.go.ke



+254 722912670