

## PRODUCT UP-SCALING SUPPORT – FACTSHEET

<b>Product Up-scaling Support</b>	2019-01: Developing a digital financial and service delivery agency platform
<b>Country / Region</b>	Kenya
<b>Partner Financial Institution</b>	Takaful Insurance of Africa
<b>Grantee</b>	International Livestock Research Institute ILRI (endorsed by Swiss Re)
<b>Overall Budget</b>	CHF 318,823 (39% self-contribution) (15% third party contribution)
<b>SCBF Contribution</b>	CHF 145,305 (46% SCBF funding share)
<b>Date of Approval</b>	16.11.2018 & 10.03.2019
<b>Duration</b>	04.2019 until 10.2020
<b>Context</b>	<p>The Government of Kenya's Vision 2030 identifies financial services as being central to broad-based economic growth. The economic pillar of this strategy highlights the central role to be played by the financial sector. General penetration of insurance in Kenya is rated as very low – approximately 3% for all products. Index insurance is ranked much lower considering the potential that there is for both crop and livestock. One of the government's biggest efforts has been the launch of Kenya Livestock Insurance Programme [(KLIP- an adoption of the Index Based Livestock Insurance IBLI)] for the ASAL regions, recognizing that livestock constitutes a significant portion of the Kenyan GDP and most of the concentration of livestock (about 3 million) is in these regions. The Insurance Regulatory Authority along with the government is also working towards regulations around livestock insurance to encourage more private sector partners to enter this domain.</p> <p>The IBLI product itself is a recognized multiple award-winning innovation in insurance provision directly targeting a risk that is borne by the poorest and most vulnerable populations in Kenya – pastoralist herders. IBLI has been shown to help poor pastoralists unlock the value of the only productive asset that they have by investing more in productive inputs for livestock that are secured by insurance. The platform we propose to build for product upscaling – the Digital Financial and Service Delivery (DFSD) platform – is explicitly aimed at leveraging innovations in mobile and web-based applications to ensure that the IBLI product and related services are delivered cost-efficiently to IBLI's target clientele.</p>
<b>Current Status of the MFI</b>	<p>Takaful Insurance of Africa (TIA), is one of the first Insurance companies in the Horn of Africa, which provides Sharia-compliant insurance products. TIA has a market share of 1% in the general insurance industry. As far as the livestock insurance market share is concerned, TIA has almost a 90% market share. This is because besides APA Insurance, TIA is underwriting the IBLI voluntary product. Moreover, last year and also this term, TIA has won the KLIP tender and is leading the consortia of underwriters for KLIP. In addition, the counties of Northern Kenya, which TIA is operating in, the level and penetration of insurance is close to minimum.</p> <p>TIA, like other insurance companies implementing IBLI have been struggling with high operations costs. Though concerted efforts have been made, through re-organization of the delivery structure for IBLI, continued high cost remain in i) channel development, training and capacity development – through regular organizations of town halls for training agents, ii) field supervision during the sales period, iii) motor vehicle maintenance, iv) IBLI payouts, especially the updating of the 'Know Your Customer' (KYC). We believe that with the introduction of the DFSD platform, with the SCBF support, there will be a significant reduction in these lines' items of the operations costs.</p>
<b>Objective and Main Activities</b>	<p>Overall objective is to strengthen the commercial distribution channels of IBLI and supporting the KLIP to shift away from free provision of livestock insurance. The main activities will be:</p> <ul style="list-style-type: none"> <li>• Structural adjustments to existing agency system</li> <li>• Develop and pilot a Digital Financial and Service Delivery (DFSD) platform v 1.0</li> <li>• Refinement and improvement to DFSD v 2.0</li> <li>• Knowledge product on setting up a DFSD</li> </ul> <p>Upon project completion, the financial institutions should be in the position to have a strengthened service delivery mechanism for a range of other potential financial services and products and job creation, through the use of the DFSD platform.</p>