Evaluation Summary

International Labour Office

Evaluation Office

Promoting Access to Micro-insurance for Financial Inclusion and Decent Work

Recommendations for Facility II Market Development Strategy – Joint Final External Evaluation

Quick Facts

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Evaluation Summary (excerpt from the executive summary)

This report is based on the external evaluation of the ILO & UNCFD Joint Program on Micro-insurance (JP), conducted by Denis Garand & Associates. It contains our Recommendations for the Micro-insurance Innovation Facility II Market Development Strategy. The results of our evaluation are targeted at the Micro-insurance Innovation Facility team, donors, as well as country-level stakeholders. Country-specific findings from our evaluation may be found in the three separate country-level reports for Zambia, Ethiopia and Kenya which are not part of this document.

The recommendations presented in this document are based on an extensive review of available documents and data, as well as key learnings from the individual country evaluations (March 2014) during which the main project stakeholders were interviewed.

The ILO/UNCDF Joint project on "Promoting Access to Micro-insurance for Financial Inclusion and Decent Work" was established in 2007 to develop and test a process of national strategy development in the area of micro-insurance using a sector based approach. By working with partner governments, donors and other stakeholders across the micro-insurance value-chain and eco-system you are able to catalyze market development in the most practical way in order to achieve a well-functioning micro-insurance market whereby the policy, regulation, supply-side and demand-side interests are coordinated. It also maximizes local ownership which is necessary for long-term sustainability and offers increased coherence between national policies and sectoral policies which would be useful for the public-private-partnerships to work well.

In the pilot countries, the JP acted as a 'market catalyst' that provides capacity development at early stages of micro-insurance market development. This support is provided with the view that at some point in time, the industry should be able to offer a range of valuable, demand-oriented micro-insurance products on a commercially sustainable basis. Ethiopia and

Zambia were selected as a pilot countries in 2009 and Kenya in 2010.

The primary mechanism used so far by The Facility has been to stimulate product and process improvement through innovation grants, capacity building, research and knowledge management. The Facility is now embarking on a new journey and refocusing its efforts and new strategy on three primary sets of activities: Intensive country initiative, Capacity building programme and Innovation laboratory. The new strategy is a move from pilots to quality at scale. The experiences gained from the work done in Ethiopia, Zambia and Kenya have demonstrated a need for a structured process, working with multiple stakeholders. This report sets out our recommendations for a market development structure to support this new strategy.

Recommendations

The key recommendations arising from our evaluation are listed below. In section 4.4 we set out our recommended market development process. Section 4.5 sets out the indicators for each phase of market development which are intended to assist with project management, monitoring and evaluation. In section 4.7 we provide a link between the proposed Market Development Steps and the Facility's new strategy.

1) Start using the term "inclusive insurance" instead of "Micro-insurance": We suggest that you start using the term "inclusive insurance" instead of "Micro-insurance" because: (a) in many cases MI is not reaching the poor but more likely reaching the near poor or low income people and (b) we are starting to get feedback from colleagues in Latin America that the market does not like the term MI as it makes it seem like they are poor; so it is construed to be a demeaning term.
2) Fundraising: The Facility would benefit from a better, proactive funding strategy. It would be more efficient to embark on a market development program in a country with minimum funds. These funds could be agreed with donors in principle with pre-agreed release mechanisms that are tied to the phases of market development and indicators.
3) Project Management: The sector based programs will benefit from having a standardized approach to market development which can be shared with coordinators. This would speed-up the country level interventions as well as assist with fundraising activities. The market development process which we have set out in section 4.4 is flexible enough to accommodate markets which may be at different stages of development at the point of the Facility's entry into those markets. Coordinators can then use this as a checklist to ensure that all key issues are considered, recognised and addressed.
4) Monitoring and Evaluation: The Facility would benefit from having indicators agreed at the start of each market development program to assist with monitoring and evaluation. We have set out some indicators in section 4.5. These indicators would ensure that all stakeholders are involved at an early stage if possible and assist with the long term funding strategy.
5) Strengthen relationship with regulators: The Facility's partnership with regulators needs to be improved. Regulators are generally supportive of MI market development and can use their reputation and leverage on the industry to catalyse market development.
6) Improve coordination with World Bank / FIRST to make sure activities are aligned.
7) Institutionalization of project activities: The country level activities would benefit from working closely with local training institutions. This has several advantages including lower cost, increases the chances of a more sustainable market after the Facility has completed its market intervention programs, more efficient and clear strategy for knowledge transfer.
8) Increase emphasis on client value: Value for money is generally insufficient in all three pilot countries that we reviewed. Outreach without value is not a sufficient market development strategy. Client value should be a constant messaging activity throughout the market development process, not just at the end, because this is what drives clients' confidence and desire to renew MI product purchases and grow the market.

9) Improve sustainability and stakeholder ownership: Interest and commitment from partners should be ascertained before starting the project and the partnership model clarified.

Our working assumption is that the market development process we are recommending would be triggered or engaged once a partner country has been selected for an intensive country initiative. Based on our experience so far, certain criteria should play a role in selecting a partner country. These include: (1) stakeholder interest in micro-insurance particularly amongst the regulator, (2) a market in which only regulated insurance companies provide micro-insurance will be easiest to work with, (3) a good level of insurance market development to minimise the risk of long and cumbersome process, (4) the presence of 1 or 2 potential micro-insurance 'champions' who can be local providers with a good business model and strong connection to the target group and (5) the presence of local development partner organisations that can provide funding and ideally technical expertise.

We recommend four (4) phases, broadly in line with the aA2ii Toolkit. We have, however, gone a step beyond the positioning of the a2ii Toolkit No.2 and recommended a step-by-step process. The toolkit sets out recommendations which are intended as practical guidance rather than as a prescriptive checklist or sequence of events.

The steps in each phase are designed to ensure that the regulatory component of market development is as enabling as possible. The demand-side activity is effectively split into two components: a needs assessment and a consumer education which should be focused on the potential clients of the distribution system, the products themselves as well as more general 'insurance capability'. Sandwiched between these two demand-side components is the development of the supply-side capacity and product development. The needs-assessment is critical for demonstrating the business case as well as supporting the capacity and product development on the supply-side before returning to the demand-side to deliver consumer education. Experience indicates that raising client awareness without having products at the ready can potentially kill development momentum and client interest.

The two biggest challenges in implementing the sector based approach are ensuring (meaningful) long-term sustainability and creating stakeholder ownership. Ensuring the long-term sustainability of capacity development activities requires the active involvement of local institutions, as well as an appropriate financing mechanism that relies on local sources of funding (at least by the end of the project phase). In order to ensure that the knowledge imparted sticks and gets embedded you should strive to embed the micro-insurance development process into national programs and transferring knowledge to local owners like the so-called “multipliers”, such as insurance institutes and consultants, in other geographies. It is also important to manage expectations as to how long market development can take; indicative estimates from the A2ii Toolkit 2 are upwards of 5 years and this is not inconsistent with our experience. It also helps that the selected countries’ insurance industries are at a decent level of development and have a healthy interest in going “down market”.

Finding the right partner(s) is key in order to maximise stakeholder ownership of the market development agenda. Possible partnership models include: (1) Coordinated sector approach with a stakeholder-led steering committee or working group, (2) Regulator as an implementing partner and (3) Insurers association as an implementing partner.

The facility’s new strategy adequately leverages on its strength, which include: international reputation and network, accumulated stock of knowledge, tools and training materials as well as experience collected in the first two phases of the JP. By expanding the number of pilot countries and intensifying its capacity development programme, the Facility can bring its vast stock of knowledge and ready-made capacity development 'tools' into play to serve micro-insurance providers on the ground. We particularly support an increased focus on client value and consumer protection and the sector based approach (demand, supply and policy/regulation) is particularly suited to addressing the client value issue.

To assist in this process, we have set out a high-level starting point for the Facility to link its new strategy to the recommended market development steps by including example activities, interventions and Milestones. Whilst this is not exhaustive, it should provide a useful basis for discussing a generic implementation project/program plan to match the market development structure and which can be tailored to meet specific local requirements. The suggested interventions will need to be tailored to the structure and level of development of the micro-insurance market recognizing that the process is likely to require patience and effort because providers in less developed countries tend to require capacity development and improved systems, but also a mentality change to serve the mass market effectively. In some cases, the presence of foreign (owned) providers with significant micro-insurance expertise can speed up this process.