

Global South-South Development EXPO 2014

ILO Solution Forum: Microinsurance

Washington DC, 19 November 2014



What do the working poor need?

- Opportunity: government policy, action
- Organisation: Co-ops, MFIs, Insurers
- Skills, enterprise management, coop management
- Financial Inclusion:
 - Financial literacy
 - Saving for asset building
 - Access to credit and insurance, not grants
 - Access to markets

Microinsurance

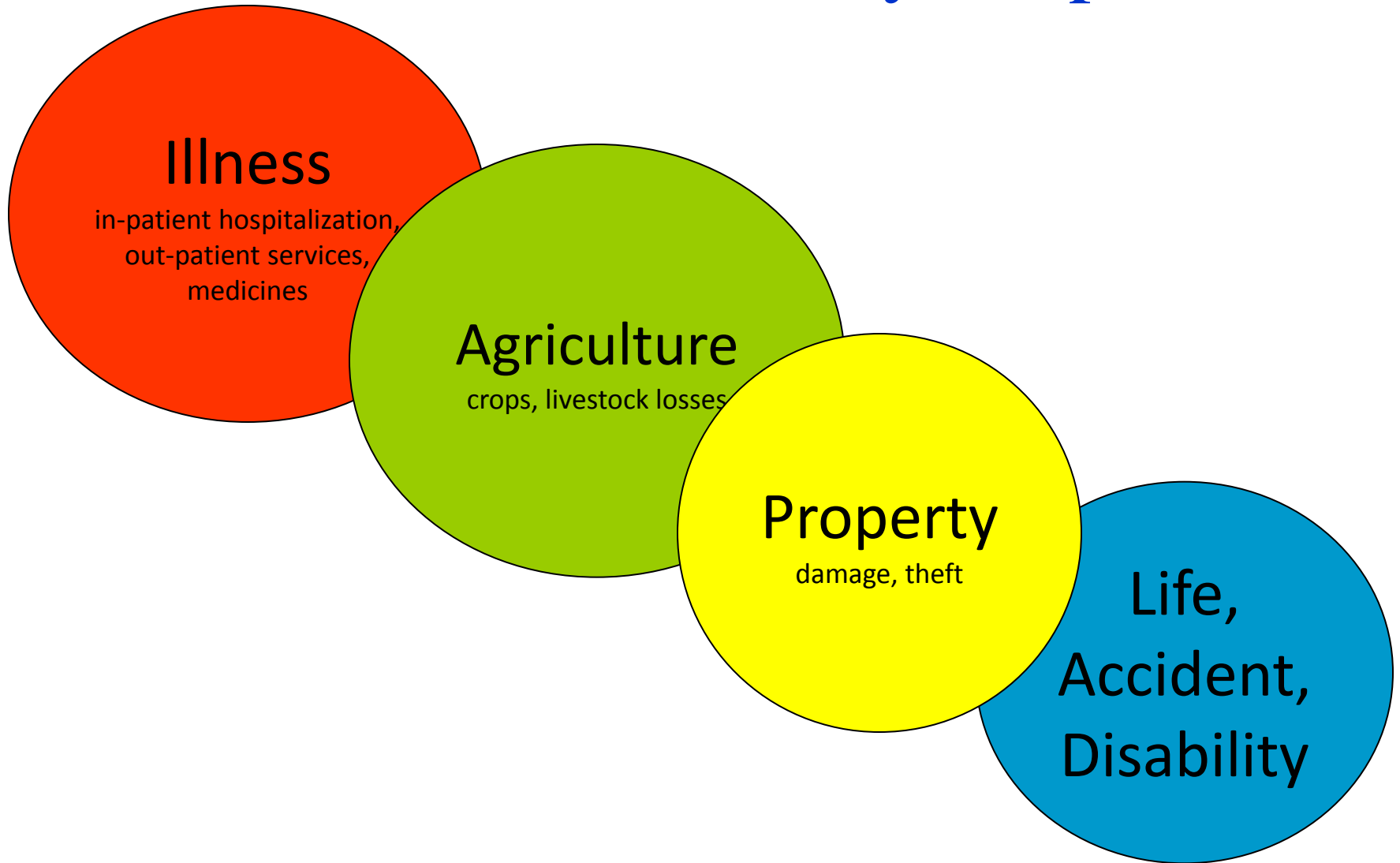
- Protects low income households and enterprises against economic losses arising from illness, death, accident, disability, loss of assets; loss of crops and livestock, at affordable cost
- Microinsurance serves as collateral for lending to low income borrowers; Protects lenders against risk of unpaid debts
- Enables low income businesses of youth and women to succeed without fear of enterprise risks
- Helps in savings mobilization for development by covering shocks that force the poor to cash their savings and sell assets.
- Formalizes traditional funeral and social insurance schemes with efficiency and reduced cost.
- When combined with enterprise development and co-operatives, it becomes a powerful tool for sustainable MSE business development and job creation.

ILO's interest in microinsurance

The ILO is concerned about:

- The promotion of **decent work**: more and better jobs
- The availability of **social protection** for workers and their families
- The impact of financial policies on **social justice**, i.e. toward more inclusive financial markets
- **Security and dignity** of the working poor who face the risk of illness, death, disability and loss of assets by natural and other causes.
- ILO's Enterprises activities in COOP, Social Finance and Microinsurance provide the essential building blocks to empower low income people to achieve the above goals and get out of poverty through sustainable micro and small businesses.

Risks faced by the poor



Microinsurance action plan for Africa

- Advocating the inclusion of microinsurance in the national financial inclusion agenda
- Assisting insurance regulators in establishing adequate microinsurance regulation, supervisory capacity, training of staff, etc.
- Training MFIs, Co-ops and Labour Unions to better understand, plan and implement microinsurance for their members
- Providing technical assistance in product development, distribution channels and consumer education
- Data and IT solutions adapted to the low income segment
- Setting key performance indicators for microinsurance in the national context
- Partnerships and experience sharing actively undertaken in Senegal, Ghana, Nigeria, Kenya, Zambia, Tanzania and Mozambique.

Microinsurance activities in Ethiopia

- Training the Confederation of Ethiopian Trade Unions to form viable financial cooperatives providing savings, credit and insurance;
- Supporting Fed Co-op Agency to strengthen its regulatory and market development capacity for urban and rural co-ops; working with rural coop unions to help them manage better their members' insurance needs
- Working with microfinance institutions to provide better microinsurance value strengthening their savings and loans programmes.
- Providing TOT for insurers, MFIs, Co-ops and NGOs
- Introducing viable coop business models for women NGOs and prisons
- Creating partnership models for MFIs and Coops.
- Providing technical support to partners that provide rural agricultural insurance pilots for crop and livestock insurance
- To-date, a huge growth in numbers has been recorded: 4.1 million households accessing insurance and covering their financial risks; assuring the sustainability of a large number of MSE enterprises and households resulting in quality jobs.

Key performers providing microinsurance

Institution	Clients
DECSI Microfinance Institution	800,000
ACSI Microfinance Institution	1,700,000
Oromia Microfinance Institution	730,000
Buusa Gonofa microfinance Institution	180,000
Wosasa Microfinance Institution	110,000
Peace Microfinance Institution	42,000
WISE Women Coops	12,000
EthioLife, Oromia Insurance Co and Nyala	90,000
Mekelle Prison Coops	1,600
Lidet Co-op Union	115,000
Seloda Co-op Union	12,500
Adama Co-op Union	33,000
Other co-ops and MFIs	300,000

DECSI Microfinance Institution

- 800,000 savers, 580,000 borrowers, 55% of which are women and youth; 30,000 children under 18;
- supports close to 600,000 SME businesses including coops, half a million new jobs. A real champion in youth employment.
- Finances 60% of loans from savings mobilized.
- All clients are provided with microinsurance.

Mekelle Prison Cooperatives

- The prison accommodates 2,000 prison inmates, 600 women among them, imprisoned for petty crimes arising from poverty.
- Regional government had made policy decisions to introduce producer coops in prisons with limited financial inclusion programme.
- We introduced coop management, financial education, a variety of improved skills training that helped them to establish active Co-op businesses in prison. Currently 31 coops provide decent work and skills. The prison businesses are run profitably.
- Dedebit Microfinance partnered with us, providing badly needed working capital. The coops repay their debts on time, and Dedebit has opened a branch within the prison walls.
- Prisoners are net savers, with good balances and many make remittances to support their family in towns and villages. They are insured for death, accident and disability; and asset insurance will soon be introduced.
- The prison is a work place where prisoners acquire skills, produce quality products and retain the profits. Prison businesses include wood and metal works, bakery and food processing, embroidery, weaving, electrical and plumbing, livestock fattening, cobble stone and hollow blocks production, hair styling and merchandising.
- Freed inmates run their own businesses or have found employment with the skills they have acquired in prison.
- Training for prison officers both locally and internationally in prison management, conflict resolution, negotiation and communication. They have also established a prison officers coop!
- Exchange visits with South African prison services provided lessons that are superior to prison business initiatives in South Africa where the profits are not shared with inmates.

WISE (Organisation for Women in Self-Employment)

WISE is an umbrella NGO for 12,000+ self-employed women, 10,000 are organised under producer, marketing and SACCO coops. ILO provided:

- Co-op management and business skills training, financial education, microinsurance
- Knowledge sharing with sister NGOs and training institutions in India and Kenya, as well as with regional women groups from different parts of Ethiopia.
- Capacity building of WISE Co-ops through improved IT and reporting (coop accounts are produced weekly, accurately, the first in the country).
- We contributed innovation grants for women entrepreneurs that introduce successful ideas that create sustainable businesses.
- Co-op members are very successful, some of these businesses run schools, food retail chains, clothing stores, and many more. Some have created jobs for more than 50 employees.
- These Co-ops provide training for other women groups coming from all parts of the country; and could be useful partners for other ILO activities.
- It is the most visited women Co-op/NGO in town, with practically half a dozen donors partnering with WISE.
- Management development and exposure visits for senior staff of WISE to India and Kenya provided opportunities for cross learning.

WISE special features

- Private women-only NGO, run sustainably
- Members come from all walks of life and from all educational levels, mostly with no prior access to education
- Co-op members benefit from basic education, financial literacy, skills and coop management training
- They have created an active and vibrant network of marketing and commodity exchanges, knowledge sharing and community support. The WISE CO-OP weekly bazar facilitates exchange products and services, learn from successful innovative business practices and attend leadership and motivational sessions.

Lidet Farmers CO-OP Union

- Lidet CO-OP Union has 115,000 members, all rural farmers in Amhara region of Ethiopia. The Union provides production, marketing and financial services to its members. Insurance was introduced in early 2014 with the help of the ILO. We have provided coop management and insurance training to 11 Union employees and over 100 coop leaders. The Union provides higher level financial services to its coops. Before the introduction of microinsurance services, the coops had very volatile savings accounts where members withdrew their savings whenever economic shocks occurred. They also had failures in collection of repayments whenever a borrower had family and business crisis. With the introduction of a voluntary microinsurance scheme where at least 90% of members have joined, the insurance cover provides:
 - Credit Life, Accident and Disability insurance cover for the amount borrowed, covering the borrower and spouse, if married;
 - Funeral cover, a flat amount of Birr 1,500 covering the borrower and spouse, if married.
 - Asset and limited health insurance will be introduced in 2015. Agricultural insurance covering crops and livestock is being introduced in collaboration with commercial insurers.

Addis Microinsurance Company

- The company was set up in mid-2014
- Shareholders are Co-ops, trade unions, community savings associations, funeral societies, MSEs and women and youth NGOs, formalizing traditional insurance schemes with cost efficient services
- They have a membership base of 480,000 individuals.

Microinsurance – 5-year results

- Microinsurance is being rolled out to 11,000 rural SACCOs, currently serving 2.7 million farmers; Under the RUFIP II complementary project the number is expected to reach 6.9 million farmers (RUFIP document); Women and youth are the focus of the programme. We contribute the essential elements for microinsurance and financial education.
- 32 MFIs with 3.1 million clients, all high achievers, many employing a large number of youth and women. We provide microinsurance product development and training.
- As mainstream insurers are not keen to support the low income market, we have created linkages for SACCOs with 4 insurance companies that provide full insurance services.
- A specialist private microinsurance company has been set up with shareholders coming from Producer coops and SACCOs, trade unions, NGOs, traditional savings and loans associations and funeral societies.
- Financial aid alone does not reduce poverty. There is need for national policy, building institutional capacity, advocacy, financial education, financial inclusion, working with regulators and PPP. We work within the political economy framework of the country, and have good collaboration with MOFED, NBE FCA and CETU.
- Our work with WISE, Mekelle Prison, Workers Confederation and others contributes to creation of real, sustainable and successful businesses and job opportunities that help to reduce crime and create a healthy social environment.
- We have achieved scale and efficiency in providing insurance services to hitherto un-served low income businesses at affordable cost, exchanging experiences with a number of countries in sub-Saharan Africa and positioning microinsurance in national financial inclusion programmes..
- [The Microinsurance Innovation Facility provides knowledge through the exchange of good practices and lessons learned between countries through its online platform to over 3,000 stakeholders.](#)

Concluding remarks

- 1. Main partners:** UNCDF, IDCO, FSD, IFAD, FCA, AEMFI, NBE, MOFED
- 2. Sustainability:** Microinsurance products have been introduced on a commercial basis with focus on client value. Providers have been sufficiently empowered to continue providing services without further support.
- 3. Innovation:** Client focused products, gradual and incremental scale up cutting down costs, building trust and reducing pilots.
- 4. Replicability and scale up:** Development of a policy and regulatory framework with insurance regulator and the coop development agency, The women led project (WISE), the prison services (Mekelle Prison), the DECSI partnership where we mainstreamed microinsurance into savings and credit programmes, training and capacity building for workers' unions; the introduction of microinsurance for rural cooperatives at Lidet SACCO Union, mainstreaming microinsurance into a major rural finance programme (IFAD's RUFIP for Ethiopia) are some of the key replicable models that can be applied in any country. We have achieved outreach of 4.1 million by mid 2014; and this figure will at least double in the next 4 years through the IFAD rural finance partnership targeting 6.9 million peasant farmers.
- 5. Awareness of the initiative:** Publications, video and press releases locally and internationally.