

CASE STUDY | DECEMBER 2016

The Growth of Inclusive Insurance in Zambia:

Catalysing the Market through Industry Leadership

REDUCING POVERTY
THROUGH FINANCIAL SECTOR DEVELOPMENT

Foreword

Since January 1949, when a U.S. President Truman speech ushered in the modern era of international development, successive generations of theorists and practitioners have wrestled to determine the best means to deliver international development assistance to the world's poor.

Progress has followed a steady trajectory with the number of people living in extreme poverty falling from 1.99 billion in 1981 to 896 million in 2012. In spite of such progress, many questioned the prevailing relief-based approach to poverty reduction. The direct delivery by international aid agencies of welfare-enhancing goods and services to the poor would, they argued, lead to a temporary spike in poverty impact, but leave little behind once priorities changed or the money ran out.

It is against this backdrop that the 'making markets work for the poor' approach was born. This approach – also known as 'M4P', 'market systems development' or 'market facilitation' – gathered momentum during the late 1990s and 2000s. In July 2008, the Springfield Centre ran its inaugural 'Making Markets Work' training course in Glasgow, Scotland. In September 2015, the World Bank's Consultative Group for the Assistance of the Poor (CGAP) issued: 'A Markets Systems Approach to Financial Inclusion: Guideline for Funders.'

Today, 'making markets work for the poor' is a relatively well-understood concept. It focuses on harnessing the power of market systems, including their full range of participants – from suppliers and consumers to rule-makers and support services providers – to deliver benefits for poor men and women on a lasting basis. It seeks to achieve and maintain a careful balance between public and private sector interests, between the bottom-line and the bottom of the pyramid.

To do this, M4P programmes work closely with market players to understand market dynamics and test whether or not necessary behaviour changes can endure (see Adopt, Adapt below). At other times, M4P programmes work with a diversity of players to encourage behaviour and practice changes to deepen and broaden the market system responses and improve the functioning of support systems (see Expand, Respond below).

None the less, evidence from the field about how to apply the market facilitation approach in practice remains fairly limited and is often poorly documented. Despite some good examples,¹ there is a general dearth of material that captures which interventions work, which do not, and why. Accordingly, there remain important unanswered questions, such as:

How to balance pressure for short-term results with slow-burn market development activities? What does effective communication and measurement look like, and what can it achieve? What attributes do successful market facilitators possess? How does crowding in and replication take place in practice? How and when do market facilitators look to exit? How is it best to select, engage and work with partners? What to measure, when and why?

This case study process emerged as a response to this challenge - a desire to learn more about the art of market facilitation in the field. In June 2015, FSD Africa commissioned the Springfield Centre to produce: a) one comprehensive case study of FSD Kenya – a financial market facilitation agency in Nairobi, Kenya; and b) six mini-case studies of financial market facilitation interventions from the wider FSD Network, by the FinMark Trust, FSD Kenya, FSD Tanzania and FSD Zambia.

This particular case study addresses the systemic change in the microinsurance industry in Zambia. It focuses in particular on the establishment of a multi-stakeholder Technical Advisory Group (TAG) to provide leadership and coordination in the industry, and act as a channel for interventions. Zambia's approach is considered a demonstration case which forms the basis for replication in several other countries.

Taken together, we hope that these case studies contribute useful learning to the theorists and practitioners that work in the field of 'making markets work for the poor', and beyond. For FSD Africa, the case study material will be put to immediate use in the FSD Academy M4P course – a five-day training programme for staff from the FSD Network and beyond. We warmly invite others to use and share them as appropriate.

Throughout, this process has benefitted greatly from input by FSD Network staff, as well as colleagues at CGAP – Barbara Scola and Matthew Soursourian, and at DCED – Jim Tanburn. We're also extremely grateful to the case study authors – Alan Gibson, David Elliott and Diane Johnson of the Springfield Centre. The views included in the case studies are their own.

We hope that you find them engaging and informative, and that they refine and strengthen our ongoing effort to reduce poverty by making markets work for the poor.

Joe Huxley
Co-ordinator, Strategic Partnerships & Opportunities
FSD Africa

1. The Operational Guide for the Making Markets for the Poor Approach, 2014. SDC, DFID, Springfield Centre

AAER – The Systemic Change Framework

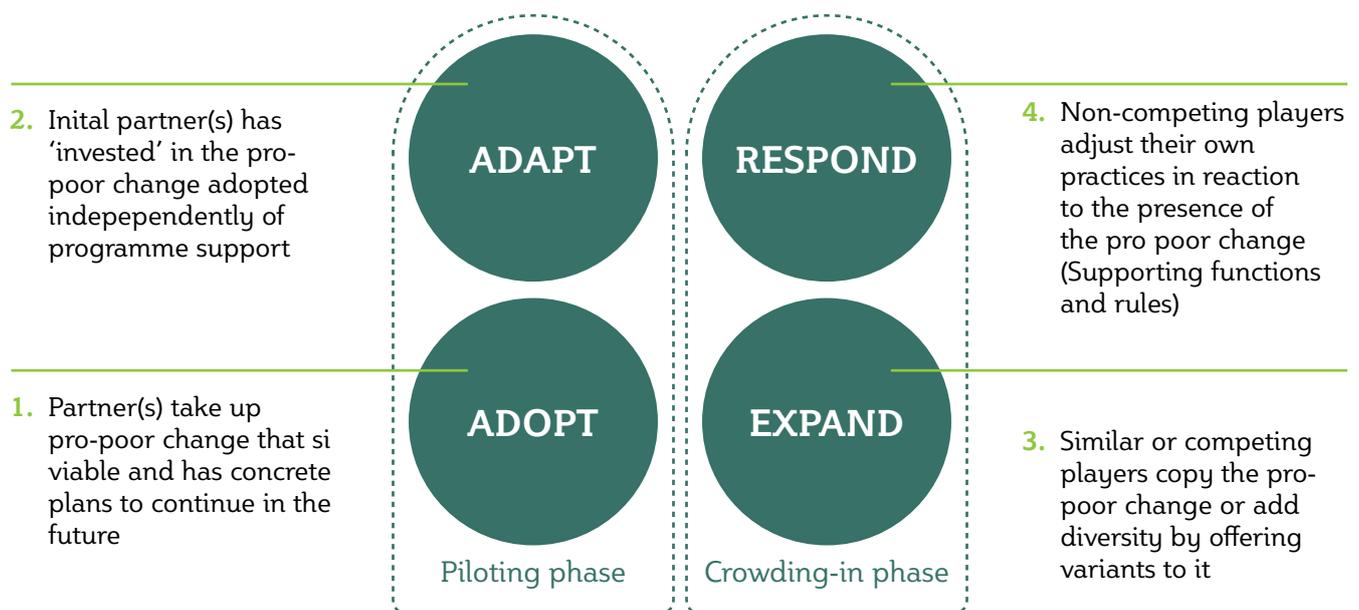
The AAER framework aims to codify the process of systemic change. It helps us to recognise market system evolution and the role of development actors, such as FSDs, within it.

To ensure coherence and the emergence of common facilitation lessons across the six mini-cases studies, the AAER Systemic Change Framework is used as the main

organising structure.

However, it can only be a guide. Market system change is messy – hard to instigate, detect and attribute to specific actors. Though we attempt to use the framework as an organising the narrative, there are a number of exceptions.

AAER: Systemic change framework



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1. Introduction

This section outlines the nature of microinsurance in Zambia and why it is relevant to financial inclusion. Microinsurance, increasingly referred to as ‘inclusive insurance’ is insurance designed for low-income market segments. It is different from traditional insurance because of its target market and distribution requirements.

To reduce the vulnerability of poor women and men, FSD Zambia (and FinMark Trust beforehand) has undertaken to design and deliver a package of interventions to catalyse the microinsurance market in Zambia. This mini case addresses, to a degree, the systemic change in the microinsurance industry in Zambia as is possible at this stage of its’ development and with the documented evidence available. This case focuses in particular on the establishment of a multi-stakeholder Technical Advisory Group (TAG) to provide leadership and coordination in the industry, and act as a channel for interventions. The TAG approach is based on the assumption that engaging relevant industry stakeholders is the most effective way to ensure relevance and ownership of a change agenda in a nascent market’s growth. Zambia’s approach is considered a demonstration case which forms the basis for replication in several other countries.²

Zambia is a low income country with a population of approximately 15.5 million people. Less than 15% of the labour force is employed formally. Copper mining dominates the economy followed by agriculture and informal trading. In spite of a decade of economic growth, 54.4% of Zambians remain below the poverty line³, primarily in rural areas where more than half of the population lives.⁴ In 2015, financial inclusion amongst adults increased to 59.3% from 37.3% in 2009.⁵

Crises tend to affect poor women and men most adversely. Events such as the death of a family member, illness, injury or loss of income or property interrupt the process of asset formation, increasing vulnerability and perpetuating poverty.⁶ Poor people are usually forced to resort to costly measures to cope with unexpected shocks. In Zambia, 57% of all households use their savings when faced with a crisis. Other coping mechanisms include cutting expenditures, selling assets, and borrowing



“Engaging relevant industry stakeholders ensures relevance and ownership of a change agenda”

money. Less than 1% claim from insurance.⁷ Zambia does not have a strong informal insurance sector, i.e. those services issued through social groups rather than a formal financial service provider, which often serves as an entry point for formal insurers.

Appropriately designed insurance can be an effective way for individuals, households and businesses – including those in low-income segments – to manage risk. Despite its potential benefits, insurance penetration in Zambia has been extremely low; in 2009, less than 100 lives were insured, primarily through credit life policies.⁸ Credit life has been the key driver of microinsurance in Zambia, however, it primarily protects the loan portfolios of financial service providers and often offers little benefit to consumers. The most beneficial insurance products tend to be those that cover health and agricultural risks, but only 0.3% of Zambian adults currently have any form of medical cover and there is currently no health insurance product serving the low-income market. In 2015, agricultural microinsurance accounted for less than 1% of all insurance products sold in terms of coverage.⁹

Despite this, the insurance industry has experienced significant growth. From one company and one broker in 1991, 33 insurance companies, two reinsurance companies, 49 brokers and over 260 agents now operate in the country. The capital requirements to enter the sector have not changed in this timespan, creating a proliferation of companies, some of which are less financially sound than others. While in theory this offers more choice to Zambian consumers, in practice, these

2. For example, other initiatives are underway or in discussion in Tanzania, Nigeria Kenya, and Rwanda, supported by a variety of organisations including other FSDs, Cenfri, and the ILO.

3. Living Conditions Monitoring Survey, Zambia Central Statistical Office, 2015

4. Population and Demographic Projections 2011 – 2035, Central Statistics Office of Zambia, July 2013

5. FinScope Zambia 2015

6. Towards a Strategy for Microinsurance Development in Zambia; A Market and Regulatory Analysis. UNCDF, ILO, FMT, July 2009

7. FinScope Zambia 2015

8. Credit life is an insurance policy designed to pay off a borrower’s debt if that borrower dies. The face value of a credit life insurance policy decreases proportionately with an outstanding loan amount as the loan is paid off over time until both reach zero value

9. Micro-insurance Focus Note No.7 – Microinsurance Landscape – Zambia, FSDZ/TAG, Zambia



Image: A customer signs-up for microinsurance in Zambia © FSD Zambia

companies offer a similar range of products and to a large extent serve the same people. As a result, uptake and usage within the retail sector is skewed towards the formally employed or regular income earners, leaving over seven million people in the informal sector unserved by the insurance market.

To encourage self-regulation, the government requires that all licensed insurance companies belong to an industry association and adhere to a Code of Conduct. The Insurance Association of Zambia (IAZ) was formed in 1997 and a full-time secretariat was established in 2013. IAZ advocates for an enabling environment for insurance including microinsurance.

Microinsurance products are complex; they require significant investment in research and development, as well as non-traditional distribution partnerships to reach a commercially viable scale. Consequently, it is difficult for any single player, acting individually, to develop the market.

In Zambia the development of microinsurance has been impeded by:

- Financial illiteracy, particularly low levels of understanding of insurance.
- Poor understanding amongst insurers of low-income client needs and behaviours.
- Lack of capacity amongst insurers to design and deliver microinsurance services.
- Absence of a regulatory framework to support microinsurance and inadequate capacity to regulate and supervise microinsurance businesses.

Much work remains to push out the access frontier to the low-income market. A relatively small number of companies have now ventured into the microinsurance industry, but the remainder are likely to remain absent until the business case is clearly proven. While the market has evolved considerably over recent years, the ongoing absence of clear regulations reduces incentives for providers to invest in the development and distribution of products.

Whilst attribution is not straightforward, it is clear that FSD Zambia and FinMark Trust have contributed to positive, pro-poor development of the microinsurance sector in Zambia. A number of key developments include:

- **Increased access:** In 2014, microinsurance coverage had reached three million people, an increase of over 200% from 2009. This figure is heavily skewed by a large loyalty insurance scheme (consumers receiving insurance as part of their mobile phone package), delivered through a partnership between Airtel, MicroEnsure and African Life Assurance Zambia. This offering, made available to all Airtel subscribers, accounted for 64% of life and funeral coverage that year. However, the scheme, as well as those offered by other mobile network operators (MNOs), is now shifting to an opt-in model, which looks set to significantly impact access numbers.
- By 2015, 5.5% of the adult population reported having insurance and pensions, compared to 4.0% in 2009.¹⁰ Despite this relatively low increase in

10. Finscope Zambia 2009 and 2015.

numbers, traction is evidenced in other ways:¹¹

- **Increased engagement of insurers:** The IAZ reports that the low-income insurance market is increasingly recognised as being commercially viable. Of the 33 registered insurance companies, nine, predominantly the large life insurers, are now engaged in microinsurance.
- **Increased variety of products:** The number and types of microinsurance products now offered have expanded from credit life to funeral, life and weather-index insurance. There are also early signs of engagement in hospitalisation and medical insurance. One company has introduced rural bicycle insurance, while another has recently launched a travel insurance product. Other emerging products include loan collateral cover for loans below US\$2,000 for house and car purchases.
- **Increased variety of distribution channels:** In 2009, microinsurance was primarily distributed by microfinance institutions. Currently, more distribution channels are being tested and deployed, including via bank networks, MNOs, workers' unions, the Zambian post office, microenterprise associations, community-based agents, agribusinesses and farmer groups.
- **Innovations in partnerships:** New partnerships for product offerings have been developed, such as: a) Agribusiness NWK and FOCUS General and African Life offering weather index and life cover; b) the

Zambia Postal Services Cooperation (ZamPost) and Professional Life offering free life cover to all ZamPost money transfer clients, and; c) MTN, Airtel and Madison Life Insurance partnering with workers unions, enterprise associations, and taxi drivers associations to distribute funeral life plans.

- **Financial performance of micro-insurance products:** Microinsurance represents a small portion of the insurance business overall; however, the total gross written premiums (GWP) grew from less than 1% in 2009 to 4% in 2014¹² - a significant and encouraging increase.



“The low-income insurance market is increasingly recognised as being commercially viable”

11. Listed by categories used by FSD Zambia.

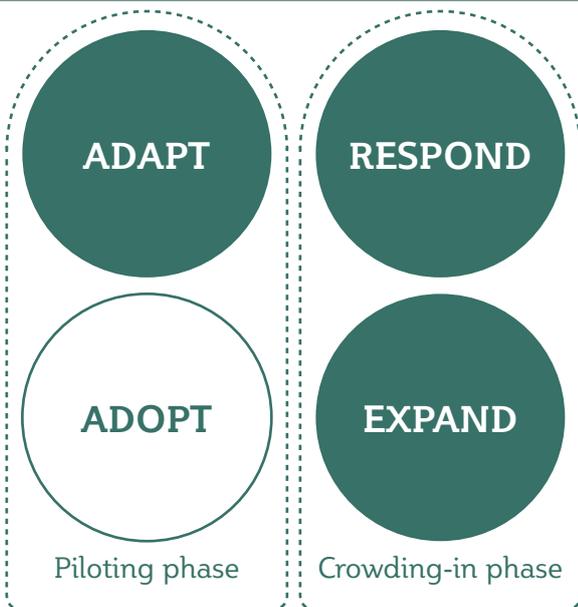
12. Microinsurance Landscape – Zambia, Microinsurance Focus Note NO.7, FSDZ, September 2015

2. Microinsurance – examining the extent of market system change

This section assesses FinMark Trust and FSD Zambia’s experience in promoting microinsurance, using the systemic change framework (Adopt-Adapt-Expand-Respond) described in the introductory section. It examines how the system has changed in response to interventions implemented by FinMark Trust and FSD Zambia in collaboration with key partners.

2.1 Adopt: has the initial pro-poor innovation been taken up and is it viable?

As a result of development intervention, a market player(s) has successfully adopted a behaviour or practice change to the ultimate benefit of the poor, has recognised the value of continuing with these changes, and has accordingly made plans to invest in upholding these changes and covering any associated recurrent costs.



The TAG was established in August 2009, following an extensive market and regulatory study conducted by UNCDF, the International Labour Organization (ILO) and FinMark Trust.¹³ The study found *‘a distinctive need for a strategy process to ensure ongoing dialogue between all possible stakeholder groups and to develop the microinsurance market’*. The number one priority from the analysis was to *‘create a platform for dialogue between different stakeholder groups, including insurers, banks, microfinance institutions, value chain aggregators and the regulator. This platform*

should seek to overcome trust and competitive issue.’ The establishment of the TAG was a direct result of this recommendation. While FMT/ILO drove the start-up of the TAG, the TAG chose their own chair in the first meeting. One of the first tasks of the TAG was to identify a part-time coordinator to provide secretariat services and help coordinate agreed activities.

The TAG’s objective is to improve access to, and quality of, insurance for low-income market segments. The TAG taps into local influence and works to build consensus amongst key industry stakeholders, in order to foster industry leadership and ownership over the systemic change process. Membership includes:

- Private sector stakeholders: insurers, brokers, microfinance institutions and the IAZ.
- Regulatory bodies: Pensions and Insurance Authority, and the Bank of Zambia
- Public sector stakeholders: Ministry of Finance, Ministry of Labour and Social Security
- Market development agencies: FSD Zambia (previously FinMark Trust)

TAG members are not remunerated. Their commitment derives from the TAG’s contribution – in some way – to their respective organisational mandates. The TAG Chairperson is nominated and since its establishment until 2016, the position has been held by the CEO of one of the leading general insurance companies. It is not a legal entity and has no funding of its own. FSD Zambia is currently the main funder (which includes funding of a part-time project co-ordinator). The TAG used to meet bi-weekly when it was first established, but now meets twice in a quarter, or more often as required, and continues to shape a ‘roadmap’ for development of the sector. The TAG, with the support of FSD Zambia, creates annual work plans, which include interventions aimed at addressing a number of market constraints as summarised in Table 1. (See overleaf)

Alongside its support to the TAG, FSD Zambia runs the Microinsurance Acceleration Facility (MAF), a competitive cost-sharing grant mechanism for technical assistance and financial support. The MAF aims to support providers in the testing of innovative microinsurance product design and delivery ideas. Launched in 2011, the MAF is a competitive process requiring 50% counterpart funding (some of which is often in the form of in-kind contributions, such as

13. Towards a Strategy for Microinsurance: Development in Zambia; A Market and Regulatory Analysis. UNCDF, ILO, FMT; July 2009

Table 1: Interventions implemented under TAG leadership

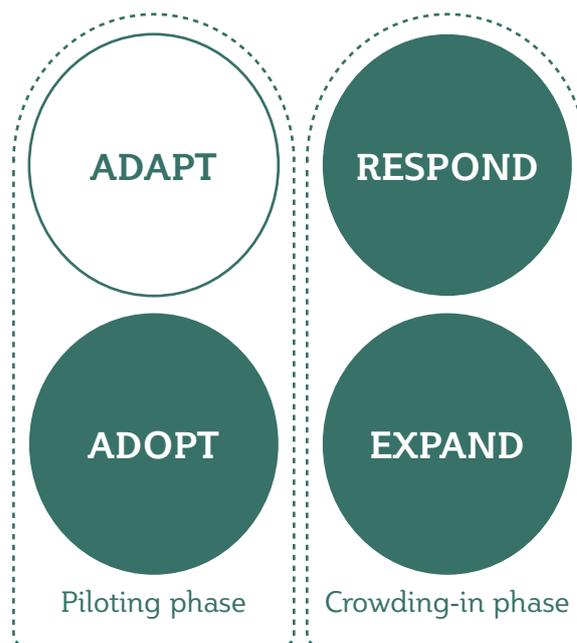
Constraint	Interventions
Demand	
<ul style="list-style-type: none"> Financial illiteracy and low levels of understanding of insurance amongst low-income market segments 	<ul style="list-style-type: none"> Support risk management and insurance education initiatives Build capacity of IAZ to coordinate these initiatives
Supply strengthening and acceleration	
<ul style="list-style-type: none"> Poor understanding among insurers of the needs and behaviours of low-income market segments Low capacity of providers to design and deliver micro-insurance services 	<ul style="list-style-type: none"> Commission and disseminate research on target market needs and opportunities Support skills- building of insurers Provide co-funding and technical assistance for product design and delivery
Regulatory framework and supervision	
<ul style="list-style-type: none"> Absence of regulatory framework to support microinsurance Inadequate capacity to regulate and supervise microinsurance business 	<ul style="list-style-type: none"> Technical assistance to the regulator (Pensions and Insurance Authority) Technical support to the IAZ to engage in policy issues

dedicated staff time). Having provided three rounds of funding, FSDZ is redesigning the scheme so that it is less grant-focused and rather provides more technical support, this having been identified as the key need of partners. The TAG is engaged setting the objectives for the MAF but has no direct role in determining who receives funding.

FSD Zambia conducts regular research as part of its on-going market analysis which also acts as a catalyst to the growth of the sector. FSD Zambia has fully funded interventions deemed necessary to catalyse the market including capacity building events, and innovation seminars which are delivered under the auspices of TAG and the industry as a whole. Some interventions, such as an annual awareness and literacy event, Insurance Week, have attracted resources from industry stakeholders in addition to FSD Zambia and other market development agencies. These include: the PIA, the Financial Sector Development Plan, IAZ and insurance companies. The TAG is engaged in strategic oversight of Insurance Week.

2.2 Adapt – has the market partner continued the innovation without further aid-funded support?

The market player(s) that adopted the behaviour or practice changes with the support of the development intervention has made qualitative and/or quantitative investments that allow them to continue with or augment changed practices, without further programme support.



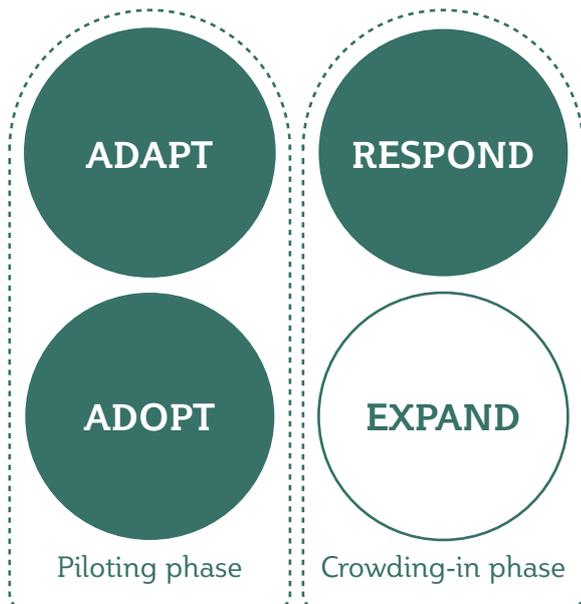
There are signs, as described above, that the microinsurance industry in Zambia is developing; however, at the time of writing, there is not yet documented evidence of systemic change. It is clear that the TAG is acting as a temporary facilitator in the microinsurance market with the support of FSD Zambia. It is also clear that the TAG is performing a leadership and coordination function within Zambia’s microinsurance industry. The focus of this mini case is TAG’s leadership and coordination role.

The TAG continues to create and ‘own’ its annual work plans. It prioritises interventions and reviews

their progress. A five-year strategy (2016-2021) is being developed, coordinated by FSD Zambia’s Insurance project manager, with full participation of the TAG. TAG’s leadership and coordination function is a long term role that will need to be fulfilled by one or more market players (in contrast to FSD Zambia’s temporary facilitation). It is not yet clear is how, or if, TAG will continue to play this role and how it will be financed to do so (to be discussed further in later sections of this document).

2.3 Expand – has the innovation spread across the system?

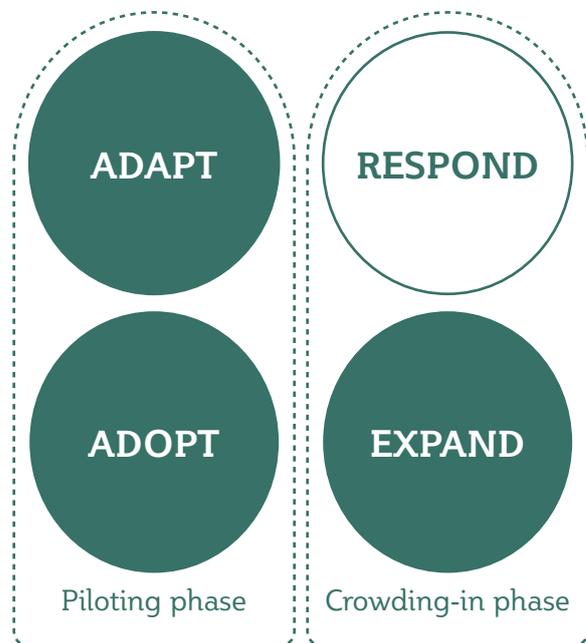
A number of market players similar to those that pioneered the pro-poor behaviour or practice changes have adopted comparable changes – either pure copies or variants on the original innovation – that are upheld without programme support.



It seems evident that a leadership and coordination function will be needed in the microinsurance industry going forward, although the TAG’s role as a market facilitator is anticipated to be temporary. However, expansion of the leadership and coordination function is not deemed to be necessary in this case i.e. no ‘crowding in’ of this supporting function necessary for the microinsurance industry to grow. At present, the TAG’s future role of industry leadership is under consideration and will be addressed to a degree in the forthcoming five year strategy.

2.4 Respond – has the innovation stimulated wider changes within the system?

The emergence and continued presence of the pro-poor changes have incited market players in supporting systems to react to the new market reality by re-organising, assuming new/improved roles, developing their own offers, or moving to take advantage of any opportunities that have been created. The response enables pro-poor behaviour/practice changes to develop further, or evolve, and indicates a new capability within the system, suggesting that it can and wants to support pro-poor solutions to emerge and grow.



The leadership and coordination provided by the TAG has been a stimulus to growth in access to microinsurance, as discussed in the introductory section. Private sector members of the TAG, and others outside the TAG, increasingly see low-income market segments as potential future clients. The TAG has observed that companies see the potential of a ‘double bottom-line’ of both social and economic benefits to offering microinsurance to the low income segment. The IAZ Secretariat has noted ‘*Companies are becoming ‘enlightened’ through awareness and skills-building events, and once they understand the potential, they begin to develop microinsurance products.*’

Through its’ leadership and coordination role, the TAG performs an advocacy function informally. It does this in partnership with IAZ, who have the formal role

of lobbying for a favourable enabling environment for the insurance industry. The IAZ is including in its' new strategy a microinsurance sub-committee who will focus on the promotion and support of the microinsurance industry. With three existing sub-committees focused on life, general and reinsurance, the formation of this new working group demonstrates IAZ's increasing commitment to the sector. This action of setting up a microinsurance committee is seen as a direct result of the work of the TAG. IAZ and market players have sponsored an awareness raising 'Insurance Week' for the past two years; financial investment from market players has increased from 61% of the total cost of the event in 2013 to 91% in 2014.¹⁴

As part of their role on the TAG, the regulator and other public sector members have publicly expressed support for the growth of the microinsurance industry, pointing to its relevance to government initiatives such as the Financial Sector Development Plan and the more recent development of a National Financial Inclusion Strategy.

Zambia has benefitted from the insurance regulator - the Pensions and Insurance Authority (PIA) - being an active member of the TAG since 2010. In 2011, PIA initiated a process to draft specific microinsurance **regulations** with input from the TAG and financial support from the First Initiative and FinMark Trust. However, despite a promising start, a number of issues remain under debate – in particular, the definition and licensing categorisation of microinsurance - resulting in the process stalling. These regulations also fall under the main Insurance Act, which has been revised and its enactment delayed, further contributing to delays in approving the regulations. These delays are reportedly due to government bureaucracy. Some stakeholders are apparently uneasy about two new items in the Insurance and Pensions Acts: (a) a planned increase in minimum capital requirements, and (b) a provision requiring 30% local ownership, precluding full ownership by a foreign company. If these delays continue, the PIA has stated it may consider issuing the regulations in the form of guidelines.

The absence of regulations but the presence of a supportive regulator has had both positive and less positive outcomes. In the current hiatus, microinsurance products have been approved on a case-by-case basis, but, as more insurers enter the industry and as products become increasingly complex, some product approvals have created turmoil within the industry, particularly in terms of who should be allowed to underwrite certain products. The TAG and IAZ remain actively engaged in dialogue with PIA, providing formal input on the

proposed regulations. IAZ believes that the regulator now understands more about microinsurance due to their involvement in the TAG.

FinMark Trust and FSD Zambia's interventions have focused primarily on stimulating the supply of and demand for microinsurance, and on encouraging more enabling 'rules' for the industry. FSD Zambia and the TAG recognise that other supporting functions will be vital to the sustained growth of the market, but have yet to embark on interventions to catalyse them. In the absence of appropriate players – or a lack of capacity and motivation within the industry – FSD Zambia has often intervened directly to fulfil a supporting function. For instance, FSD Zambia has co-funded **skills building** to enhance the expertise of insurance companies and expose them to emerging trends and practices. This represents an important function but no market player currently exists to perform this role satisfactorily and sustainably.

In a similar vein, most **research** on microinsurance has been undertaken by FinMark Trust and FSD Zambia itself. This includes: (a) supply-side research (e.g. investigation of capacity requirements of insurers and distribution channels, or of viable business models and strategies for designing and delivering appropriate products); and (b) demand-side research (e.g. investigation of client profiles, risk management needs and financial behaviour, to understand what types of insurance products can benefit low-income consumers). In the long term, local organisations will need to be able to conduct this type of research. Potential users will also need to be willing to pay for it, either by commissioning it directly, or by hiring consultants or trainers that have access to such research, or by subscribing to membership organisations, such as IAZ, which commission research on behalf of their members.

Other important supporting functions in the microinsurance market which are likely to need to be developed include:

- **Aggregation:** As demand increases and more products are offered, finding economies of scale and viable strategies to reach the target segment through 'aggregators' or gatherings of clients such as workers unions or farmers groups, will require dedicated focus.
- **Product development:** The role of targeted product development will increase in importance as the market grows. This will likely remain within the purview of the insurance companies themselves, although with significant growth, third party services might evolve.

14. Insurance Week Reports 2013-2014, IAZ

3. FSD Zambia: Strategy and approach

This section considers the extent to which FSD Zambia's current strategy and approach to developing the microinsurance industry is consistent with good practice principles, as codified in *The Operational Guide for the Making Markets Work for the Poor Approach*.

3.1 Strategy

FSD Zambia's outreach target is '300,000 poor people/enterprises experiencing a new financial service by 2018'. Its support of microinsurance market development falls under the theme of 'Policy, Information, Insurance and Coordination' and is expected to contribute about 30% of FSD Zambia's targeted outreach. FSD Zambia aims to develop the microinsurance market so that: 'insurers and distribution channels have enhanced capacity for product design and delivery; there is enhanced demand for microinsurance products/services and an enhanced enabling environment for the sector'.

More specifically, FSD Zambia's ambition is to stimulate a competitive microinsurance market, with at least five insurers reaching scale in a viable way, serving at least 100,000 low-income persons with new insurance products (half of which are women, MSMEs or smallholder farmers) and an increased diversity of insurance products, with at least 30,000 low-income consumers using health and/or agriculture-related products.

- Central to this strategy is strong industry leadership and coordination of the market's development, shaping the development of functions such as:
- Consumer education, with at least 75,000 low-income persons receiving education about the benefits of insurance.
- Capacity development, so that at least 100 professionals improve their ability to design microinsurance products, with a sustainable model for capacity-building is established in the sector, either through a local training service provider or an umbrella organisation such as IAZ;
- Informed policy formulation, so that relevant government agencies, such as the Ministries of Finance, Health and Agriculture understand how microinsurance can contribute to national policy objectives, and are prepared to support delivery of insurance solutions through public-private partnerships.

Overall, there is a plausible pathway connecting FSD Zambia's support to the TAG, to the promotion of the



**“FSD Zambia’s
ambition is to
stimulate a
competitive
microinsurance
market”**

microinsurance market and the overall objectives of FSD Zambia.

3.2 Diagnosis

As a result of regular market assessments, FSD Zambia has been able to articulate clearly a set of constraints inhibiting the development of the market, which have helped structure the TAG's interventions accordingly. These constraints are listed in Table 1 above.

FinMark Trust and FSD Zambia have expanded the initial market analysis of 2009 with several pieces of in-depth research, including 14 supplier assessments and an aggregator study. Microinsurance market surveys are also conducted annually by FSD Zambia's project manager. Their findings, together with other market insights are documented in regular focus notes. FSD Zambia also intends to regularly assess distribution with a view to gaining insights on the barriers and opportunities for product delivery.

3.3 Vision

In 2016, the TAG will develop a five-year strategy, including milestones for industry performance and consideration of a scaling-back of FSD Zambia support over time.

While the facilitation role of the TAG under FSD Zambia has always been seen as a temporary function, the industry leadership and coordination function that TAG plays is likely to remain important in future. If the TAG is to be a permanent player in the market, a plan needs to be put in place to establish it with sufficient technical capacity, organisational set-up and funding to play the specific function required.



A microinsurance product launch in Zambia ©FSD Zambia”

3.4 Intervention

In establishing and working through the TAG, FSD Zambia has built stakeholders’ support for and contribution to a change process to develop the market. This on-going ownership is likely to be vital to the efficacy of the process. The TAG has given FSD Zambia and the market changes it promotes a degree of credibility and impartiality. It has enabled the prioritisation and sequencing of interventions. It has also given FSD Zambia ‘convening power’. For example, it has enabled FSD Zambia to engage with the regulator and other key stakeholders in a way that might not have been possible if FSD Zambia had acted alone.

Because the microinsurance market was in its infancy at the time that the TAG was established it was deemed necessary for FinMark Trust and FSD Zambia to play quite a direct role in many of its interventions. Cost sharing has been secured for several activities, but in most cases they have been funded using donor resources. FSD Zambia has provided a high level of support on technical issues and taken a strong, direct role, for example in providing training (either directly

or by commissioning professional service providers). It has conducted the bulk of information collection, documentation and sharing. It has also funded industry stakeholders to attend relevant conferences and learning events. There remains some ambiguity about how these functions – capacity building, research and information, coordination – will continue when FSD Zambia exits. Other market players will need to be motivated and have the capacity to play these kinds of role in future.

3.5 Measurement

Results chains for the microinsurance sector including several related interventions have been developed, although specific indicators and measurement plans are lacking which leads to a lack of strong evidence on whether systemic change is occurring as envisaged. FSD Zambia is currently planning an exercise to gather detailed data to determine the extent to which systemic change is occurring and the extent of the TAG’s contribution to any change.

4. Lessons in facilitating systemic change

Zambia's microinsurance market has some way to go before it reaches its potential to improve the lives of significant numbers of poor people, but the TAG process shows how leadership and consensus can be built, and how this can initiate the development of a market. FSD Zambia's approach to stimulating this process has generated some useful lessons of wider relevance:

Balancing the need to build stakeholders' ownership with the imperative to get things done: FSD Zambia's experience demonstrates the importance of building industry leadership and coordination in an industry to drive market development. Working towards clearly defined, shared objectives characterises the partnership between FSD Zambia and members of the TAG. Equally, however, FSD Zambia has felt obliged – in a nascent industry with high risks of entry – to intervene intensively and directly to get things started, to demonstrate potential and feasibility. Direct intervention can displace local ownership rather than build it. It is vital therefore for a facilitator to have a clear vision of what it wants to leave behind after it has finished intervening. It must signal clearly to stakeholders that its role is finite and that subsidy levels will reduce to zero. Most importantly, it must actively encourage stakeholders to increase their investment in critical market functions over time, to the point that functions are self-sustaining within the system.

Information, insight and influence are central to a facilitator's offer: International aid often defines itself by the scale of funding it brings to bear – it tries to 'buy' impact. FSD Zambia shows that softer measures can be just as effective – and more sustainable. The strong technical knowledge and experience of FSD Zambia's microinsurance team has provided a platform for conducting analysis and generating insights and lessons. This has established the team's credibility, giving it a convening power and enabling it to build strong networks. FSD Zambia has also drawn on its exposure to wider trends and resources, for example the ILO's Impact Insurance Facility and other microinsurance initiatives across Africa, to stimulate cross-learning and innovation among Zambian market players based on emerging insights from other markets.



“An iterative and adaptive approach is essential in a complex, evolving market”

Smart communication is vital: Insightful analysis has little value unless it is communicated effectively, reaching the right people with the right information. FSD Zambia has communicated with a wide variety of stakeholders, via meetings of the TAG, the dissemination of research and focus notes and the delivery of regular, tailored presentations to various stakeholders. These different channels and information products have helped foster trust and the emergence of a cohesive voice for the microinsurance industry.

An iterative and adaptive approach is essential in a complex, evolving market: FinMark Trust and FSD Zambia recognised that microinsurance was a new industry in Zambia and that considerable flexibility would be required if it was to be effective. An initial strategic roadmap was developed, under which annual work plans were prepared. These were then revisited regularly during TAG meetings. Interventions are planned, modified or dropped as needed depending on their progress. The organisation's flexibility extends to the types of interventions that FSD Zambia has and continues to make, including support for strategy development, technical assistance, capacity building, information sharing, promoting consumer awareness, and financial cost sharing. The nature of support has been guided by analysis and the need to adapt to the situation being addressed.

FSD Africa

FSD Africa is a non-profit company, funded by the UK's Department for International Development, which promotes financial sector development across sub-Saharan Africa. FSD Africa is based in Nairobi, Kenya. It sees itself as a catalyst for change, working with partners to build financial markets that are robust, efficient and, above all, inclusive. It uses funding, research and technical expertise to identify market failures and strengthen the capacity of its partners to improve access to financial services and drive economic growth. It believes strong and responsive financial markets will be central to Africa's emerging growth story and the prosperity of its people.

FSD Africa also provides technical and operational support to a family of ten financial market development agencies or 'FSDs' across sub-Saharan Africa called the FSD Network.

FSD Network

The FSD Network is an alliance of organisations or 'FSDs' that reduce poverty through financial sector development in sub-Saharan Africa.

Today, the FSD Network:

- Comprises two regional FSDs in South Africa (est. 2002) and Kenya (est. 2013) and eight national FSDs in Kenya (est. 2005), Mozambique (est. 2014), Nigeria (est. 2007), Rwanda (est. 2010), Tanzania (est. 2005), Uganda (est. 2014) and Zambia (est. 2013).
- Is a leading proponent of the 'making markets work for the poor' approach.
- Specialises in a number of themes from agriculture finance and savings groups to payments, SME finance and capital market development.
- Represents a collective investment of \$450+ million by DFID; Bill & Melinda Gates Foundation; SIDA; DANIDA; Foreign Affairs, KfW Development Bank; the MasterCard Foundation; RNE (Netherlands); Trade and Development Canada; and the World Bank.
- Spends \$55+ million per year, predominantly through grant instruments
- Employs over 130 full time members of staff and a used wide range of consultants

FSDs do not deliver financial services to the poor directly. Instead, they deploy financial resources, expertise and insights in collaboration with a range of public and private sector actors – from central banks and commercial banks to specialist training providers, telecommunication firms and microfinance networks - to create the market conditions that deliver financial inclusion, not only during the FSD intervention, but also beyond.



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