

Catalysing holistic resilience solutions for Egyptian MSMEs

Webinar presentation

Date: 13th of September 2022



Agenda



1. **Keynote address:** Kelvin Massingham (FSDA) [15:05 - 15:10]
2. **Introductory remarks:** Shaheer Soliman (AXA Egypt) [15:10 - 15:15]
3. **Presentation:** Vera Neugebauer (Cenfri) [15:15-15:40]
4. **Panel discussion:** Zillah Malia (FSDA), Shaheer Soliman (AXA Egypt), Michaela Allen (Cenfri) [15:40 - 15:55]
5. **Q&A:** [15:55 – 16:00]

Presentation outline



Project rationale



Project objective and methodology



Project findings



Final key take-aways



MSMEs are key drivers of sustainable livelihoods in Egypt

Yet their heightened vulnerability to risks threatens their resilience



Make up over **90%**
of businesses



Employ **40%** of the
workforce



Contribute around
80% to GDP

But they are exposed to a multitude of risks and are not well served by providers to serve their resilience needs:



Liquidity risks

90% of investment by Egyptian SMEs is based on internal funds



Natural disasters

By 2050, an estimated 5.7 million people will live in flood zones in Egypt



Business interruption

30% of small and 23% of medium businesses experienced a power outage in the last month



Health risks

More than 20% of Egyptians encounter catastrophic health expenditures

MSMEs don't have access to formal coping mechanisms – less than **7%** of Egyptian MSMEs have access to formal **credit**, and less than **1%** has **insurance**

MSMEs are a hard market to reach for insurers using traditional business models

A new approach is evidently needed



Lack of value proposition to MSMEs

Insurance products do not offer sufficient value to MSME customers, resulting in a lack of insurance culture



MSMEs are difficult to reach

High proportion of MSMEs are unbanked or inaccessible, which makes it difficult to reach this target market with products.



Lack of a homogenous risk pool

MSMEs differ vastly based on size, age, sector and a multiplicity of other factors



Lack of data

Limited data on MSMEs, which makes understanding the nature of risks faced and needs of MSMEs difficult

Value

Distribution

Heterogeneity of known and unknown risks

A value-driven approach to holistic insurance and resilience

Delivering tangible value to MSMEs for both risk management & mitigation



Challenges that can be overcome through leveraging this approach:



Lack of a homogenous risk pool



MSMEs are difficult to reach



Lack of data



Lack of data



Lack of value proposition to MSMEs



Lack of value proposition to MSMEs

Project objective and methodology



Project objectives and phases

Two-fold project objectives:

- Test & explore the commercial viability of reaching underserved MSMEs in Egypt (and beyond) through holistic risk solutions using a value chain approach
- Demonstrate the value of using this approach and catalyze other market players to implement it

Project partners and their roles:



Donor funder



Insurance partner



Research lead

The project is split into three distinct phases:

Phase 1: Understanding where the best commercial opportunities to serve the MSME market within value chains

Phase 2: Developing appropriate, holistic risk solutions for the opportunities identified.

Phase 3: Piloting the risk solutions to demonstrate their viability for scaling.

A mixed-methodology applied to derive industry and consumer-level insights



Desktop research:
understanding and
prioritizing Egyptian
sectors and value chains



Consumer research:
discuss challenges and
product preferences with
108 aspirational MSMEs in
the three identified value
chains



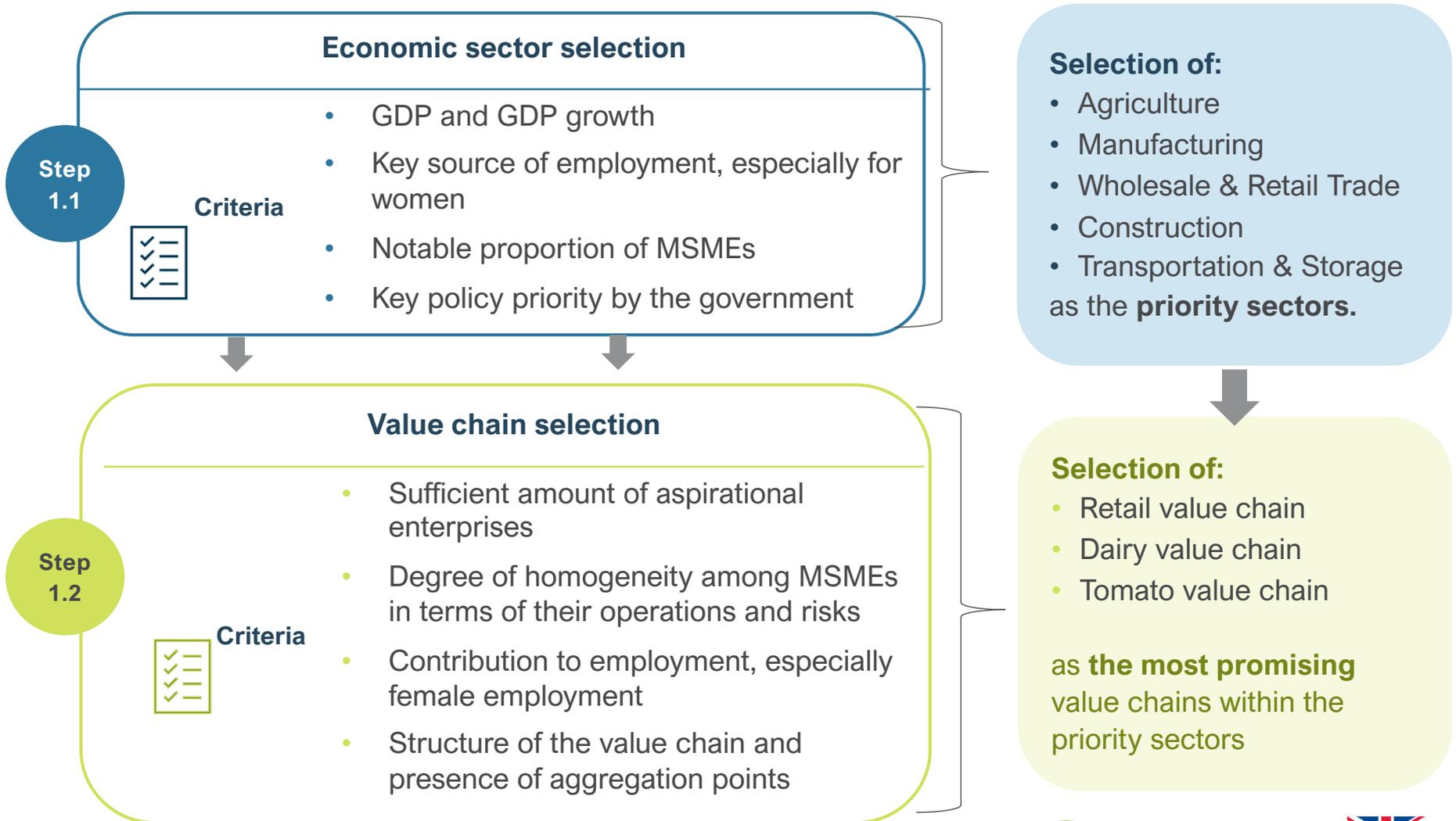
Stakeholder interviews:
explore supply-side
challenges and
partnership opportunities
with stakeholders such as
FSPs, digital platforms and
industry associations

- **Geographic focus:** Egypt and the Cairo and Nile Delta region specifically for the consumer research
- **Definition of MSMEs:** We relied largely on the Central Bank of Egypt's definition of MSMEs which is based on number of employees and turnover and we included smallholder farmers in that definition
- **Focus of sample:** The research focused on aspirational enterprises because they are a more viable target segment for insurers and are more likely to contribute to growth and employment

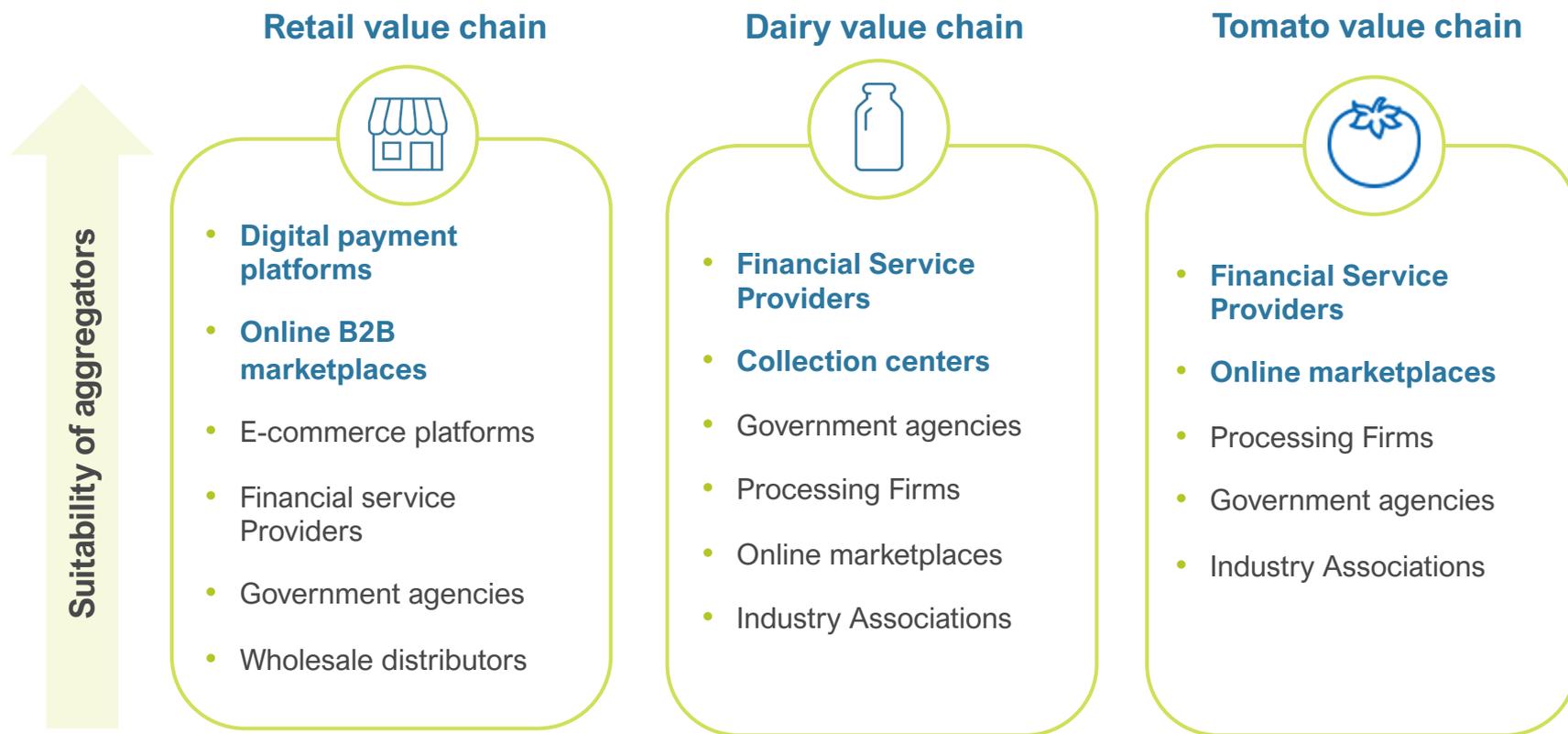
Project findings: how did we apply the approach and what did we find?



Step 1 (VC identification): The retail, the dairy and the tomato value chain show the highest potential for a holistic resilience solution



Step 2 (aggregator evaluation): Digital platforms and FSPs emerged as top trusted aggregators



A variety of players aggregate MSMEs in each value chain but not all are suited to serve as distributors for holistic resilience solutions

Step 3 (identifying consumer demand): Cash management and climate risks rank are top of mind for MSMEs in Egypt



Retail value chain



Dairy value chain



Tomato value chain



Cash-flow challenges [purchase goods within budget, sell assets, delay purchase]



Shoplifting [increased staff presence, surveillance cameras]



High temperatures [bath the cattle, take cattle out at night]



Pest and diseases [insecticides, crop rotation]



Expired or Damaged Goods [inspection, return of goods]



Milk Storage [boiling milk, sell or give to relatives]



Price fluctuations [contract farming, sell at lower price]



Fire [fire extinguishers, fire bells, insurance]



Animal Diseases [isolation, medication]



Weather and temperature changes [keep up-to-date with weather changes]



Missing goods from packing for customers [replace missing goods]



Price fluctuations [increased volume sales in winter]



Fertilizer availability and prices [limited use, animal manure]

Importance of the challenge

Step 4 (linking solutions to risks): Sampled MSMEs have an appetite for solutions that bundle tangible VAS with insurance

Majority of sampled retail MSMEs, dairy farmers and tomato farmers see **value in bundling** a risk management solution with an insurance product.



Grocery shop owner

“...I can choose covering theft with technology to fight thefts’ accidents. It is a solution which **covers the accidents if you face it.**”



Large dairy farm smallholder

“They **integrate each other.** I can take loan and also I guarantee refund for the livestock which dies.”



Large tomato farm smallholder

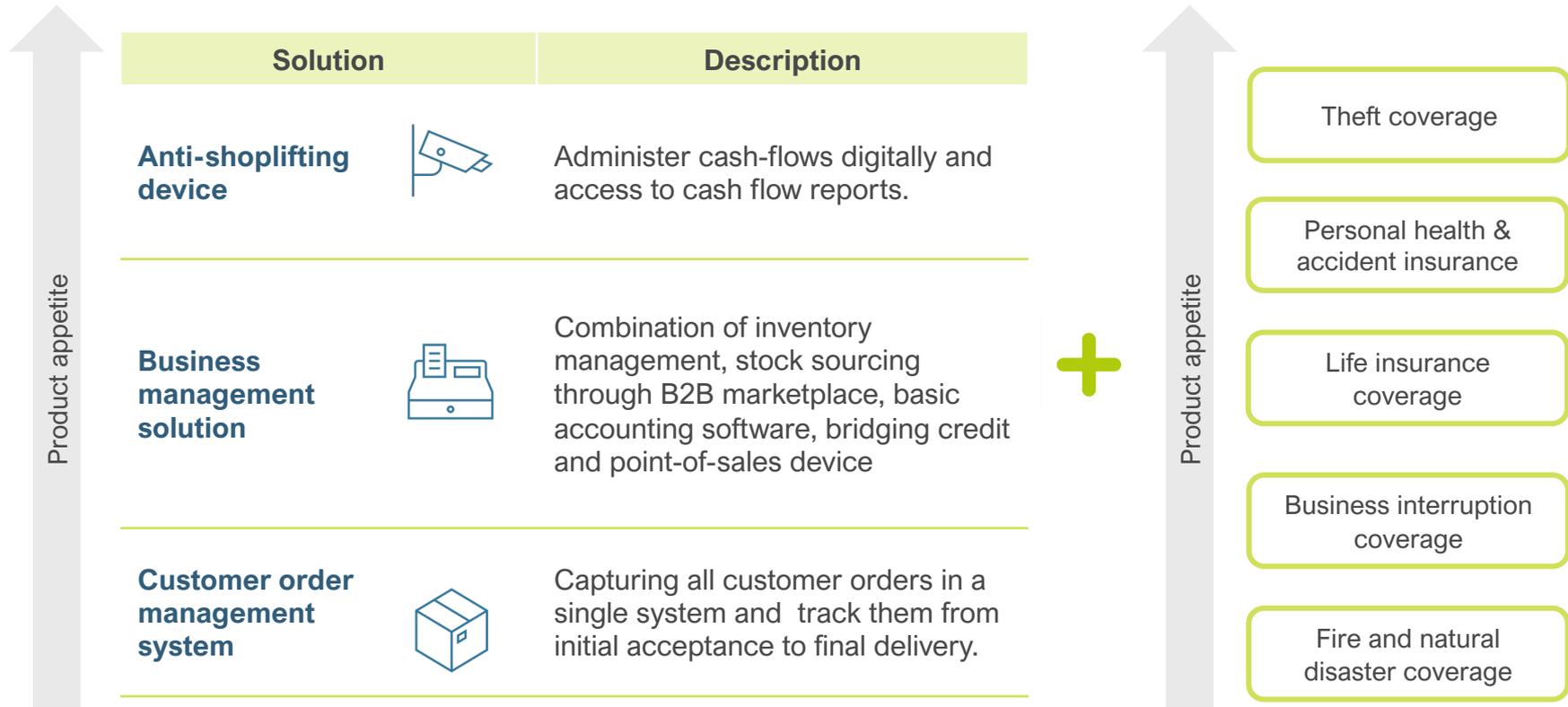
“The insurance will be the **benefit** and the **advice** of the agricultural engineers is good.”

Step 4 (identifying specific value): Theft protection resonates most with retail MSMEs



Top risk management solutions

Top insurance solutions

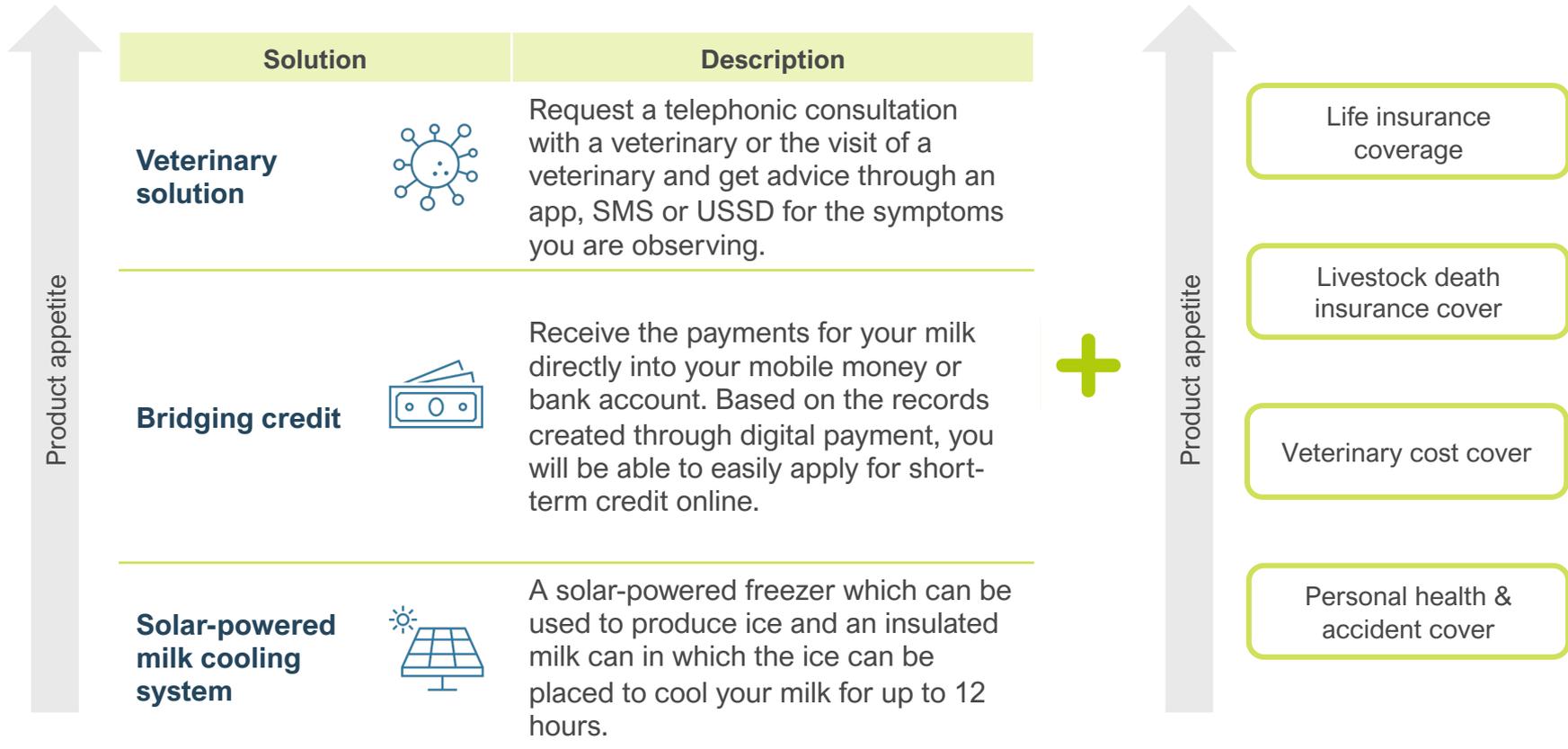


Step 4 (identifying specific value): Protection against livestock diseases and death resonates most with dairy farmers



Top risk management solutions

Top insurance solutions

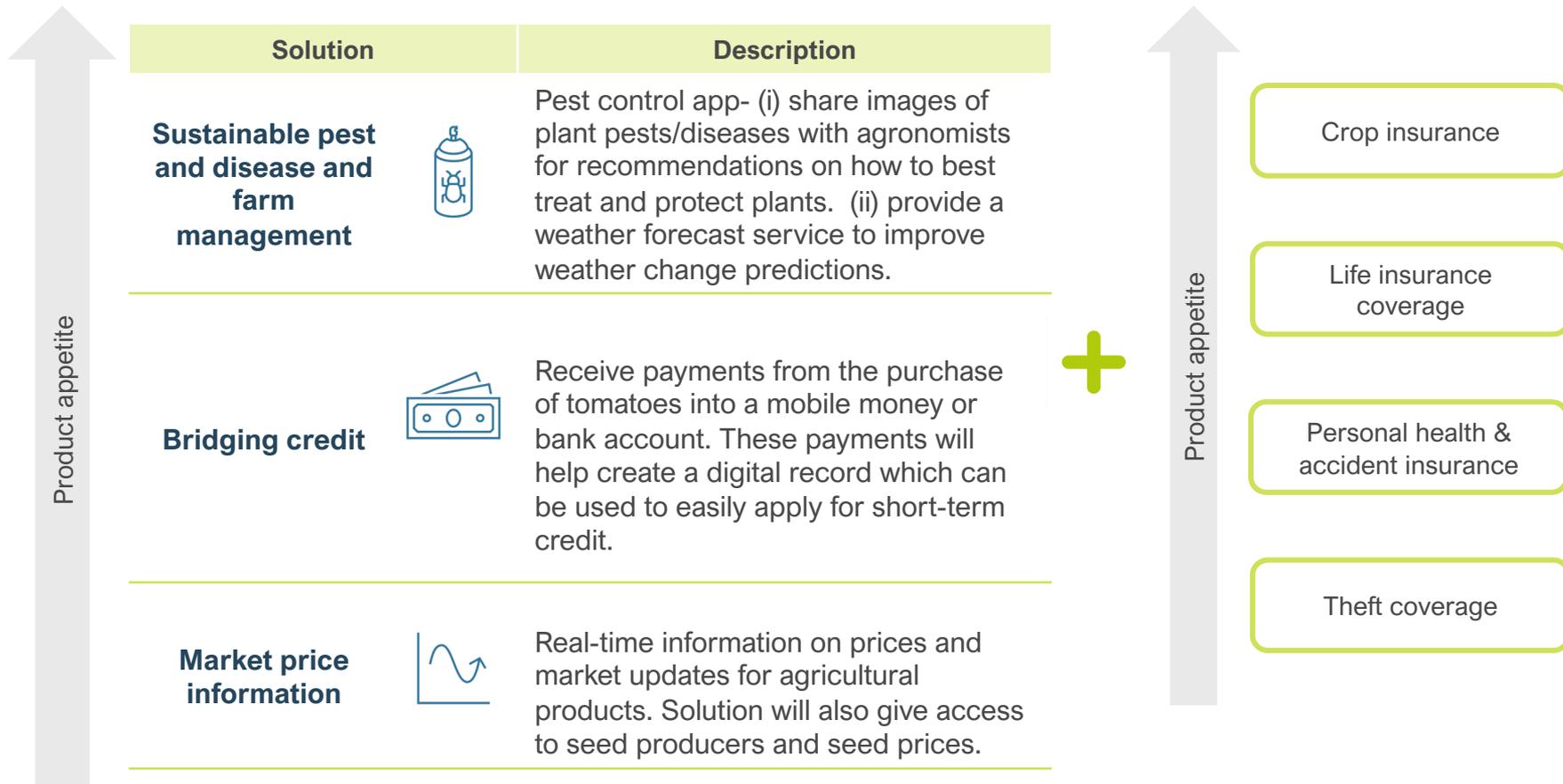


Step 4 (identifying specific value): Protection against crop losses resonates most with tomato farmers



Top risk management solutions

Top insurance solutions



Summary of study results

Study reveals a range of holistic resilience solutions

Step 1: Selected value Chains	Step 2: Top aggregators	Step 3: Top risks	Step 4: Final top resilience solutions	
Retail* 	<ul style="list-style-type: none"> Digital payment platforms Online B2B marketplaces 	<ol style="list-style-type: none"> Cashflow challenges Shoplifting Expired or damaged goods 	<ol style="list-style-type: none"> Anti-shoplifting technology Business Management solution Customer order management system 	 <ol style="list-style-type: none"> Theft cover Personal accident cover Life insurance
Dairy 	<ul style="list-style-type: none"> Financial service providers Milk collection centres Processing firms 	<ol style="list-style-type: none"> Cashflow challenges High temperatures Milk storage 	<ol style="list-style-type: none"> Veterinary solution Bridging credit Solar powered milk cooling system 	 <ol style="list-style-type: none"> Life insurance Livestock death insurance cover Veterinary cost cover
Tomato 	<ul style="list-style-type: none"> Financial service providers Online marketplaces Processing firms 	<ol style="list-style-type: none"> Cashflow challenges Pest and disease Price fluctuations 	<ol style="list-style-type: none"> Sustainable pest/disease farm management solution Bridging credit Market price information aggregation solution 	 <ol style="list-style-type: none"> Crop insurance Life Insurance Personal health and accident insurance cover

Bringing it all together

Our learnings

Step 1:
Segment MSMEs
by using a value
chain approach

The value chain lens offers a unique perspective to not only **group MSMEs with homogenous risks** but also allowed for **closer targeting**.

Step 2:
Evaluate value
chain aggregators
to reach MSMEs

- Using a value chain approach enables the **identification of a range of MSME aggregators**
- Growing **importance of digital platforms** but **traditional aggregators** still play an important role

Step 3:
Identify the key
risks and needs of
MSMEs

- **Cashflow challenges are** a key cross-sectoral risk and suggest key opportunity for linkages with credit providers
- **Climate events** notably challenging for agricultural sectors
- **Needs-based approach** is needed as **resilience needs vary** significantly between value chains

Step 4:
Identify holistic
resilience solutions

MSMEs see value in **bundled solutions**, especially when the **design is simple**

An effective collaboration between ecosystem players will be needed



Insurance providers: Become risk management partners to more effectively capture the MSME market



Technology providers: Seize opportunities to partner with insurance providers to improve engagement with their own customers base and to attract new customer segments



Policy makers: Set the tone for supporting innovation and through supporting the coordination of value chains



Regulators: Create an enabling environment for innovation by having a flexible and accommodative approach to promote responsible innovation and respond to innovative developments



Development partners: De-risk investment and promote a rethinking of insurance through consumer and market research and co-funding support

Thank you

If you are interested in discussing our work on MSME value chain resilience or how our findings can inform product design, please check out the study [here](#) or contact us!

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