



Completion Report

Project Number: 46202-001
Technical Assistance Number: 8528
June 2017

Establishing Sound Microinsurance Markets in Asia and the Pacific

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TA Number, Country, and Name:			Amount Approved: \$500,000	
TA 8528-REG: Establishing Sound Microinsurance Markets in Asia and the Pacific			Revised Amount: N/A	
Executing Agency: ADB		Source of Funding: \$500,000: TASF-V	Amount Undisbursed: \$35,762.35	Amount Utilized: \$464,237.65
TA Approval Date: 5 Dec 2013	TA Signing Date:	Fielding of First Consultant: 16 May 2016	TA Completion Date Original: 31 Dec 2015	Actual: 30 Dec 2016
			Account Closing Date Original: 31 Dec 2015	Actual: 29 Mar 2017
Description				
<p>The regional capacity development technical assistance (TA) for establishing sound microinsurance markets in Asia and the Pacific is aligned with the Financial Sector Operational Plan of the Asian Development Bank (ADB). It will help ADB developing member countries (DMCs) to enhance financial access for traditionally underserved vulnerable groups and small and medium-sized enterprises (SMEs), including micro SMEs, to promote inclusive growth through insurance, mobile financial services, and increased consumer protection. The TA will develop replicable diagnostic tool kits to help carry out assessments of the state of development and efficiency of the market, and the laws and regulations for putting in place the preconditions for supporting the development of inclusive insurance markets in thematic areas: (i) SMEs, including micro SMEs (MSMEs); (ii) public-private partnership in insurance; and (iii) use of mobile technology.</p>				
Expected Impact, Outcome, and Outputs				
<p>The expected TA impact was to help contribute to a stronger policy and regulatory environment for developing inclusive insurance (microinsurance) markets which was achieved through increasing understanding of vulnerabilities and risks of small businesses, promoting public-private partnerships as a risk transfer solution for governments, and introducing mobile technologies to reduce transaction costs. The TA acted as a driver for the development of evidence-based international guidance on these topics.</p>				
<p>The expected TA outcome was to identify the preconditions that need to be put in place for fostering an enabling policy and regulatory environment, consistent with international insurance standards for making available insurance services to the masses. To identify the preconditions, diagnostic tool kits were developed to assess gaps for the participating DMCs. The results will be used for capacity development and to formulate action plans to address recognized gaps.</p>				
<p>There were three expected outputs from the TA: (i) diagnostic tool kits developed for identified thematic areas on microinsurance; (ii) diagnostic studies conducted and recommendations for proposed policy reforms to (a) support the development of insurance products for better management of exposures to supply chain risks and facilitate access to finance by MSMEs/SMEs without collateral and guarantor, (b) assess solvency risks for insurers where public-private partnerships are fostered to effectively channel premium subsidies by allowing private insurers and reinsurers to manage microinsurance programs, and (c) understand risks imposed on customers in insurance transactions (pre- and post-sales) as a result of wide use of mobile technology and the regulatory treatment for financial transactions in general and insurance specific transactions in particular; and (iii) capacity for national and regional policymakers, insurance supervisors and other insurance stakeholders developed. The TA was designed and formulated in close consultation with (i) regional insurance supervisors and international institutions such as Asian Forum of Insurance Regulators, South Asian for Regional Cooperation, Access in Insurance Initiative and International Association of Insurance Supervisors; and (ii) operations departments to maximize the TA's operational value and usage of more advanced analysis of financial interlinkages, which could feed into the program or project designs to help governments apply the best global and regional practices for regulation and supervision of microinsurance. Given the adequacy of the TA design and formulation as well as the consistency of the impact and outcome with the participating DMCs' priorities, the TA is assessed to be relevant.</p>				
Delivery of Inputs and Conduct of Activities				
<p>A minor change in scope and TA extension was approved on 4 November 2015 for the following reasons: (i) the diagnostic study to help enhance financial access for MSMEs, including agribusiness sectors, will only be conducted with the Government of Pakistan; (ii) the diagnostic study on mobile technology has been expanded to identify the regulatory treatment for transactions involving financial technology in Indonesia, Philippines, Cambodia and Myanmar; and (iii) the diagnostic study on PPP will no longer be carried out as this aspect was taken care of by the diagnostic studies on MSMEs and mobile technology; and (iv) TA completion date was extended from 31 December</p>				

2015 to 30 December 2016 due to significant delay in TA implementation caused by reprioritization due to preparation for Office of Regional Economic Integration (OREI)'s flagship event "Asian Regional Cooperation and Integration Roundtable Conference: The Future of Regional Cooperation and Integration and Productivity" in 2014 and subsequently OREI's realignment in 2015. Four individual consultants (2 international, 2 national) worked on the MSME insurance study in coordination with CWPF and Pakistan Resident Mission (PRM). For the mobile technology study, another change in scope was approved on 29 January 2016 to engage a consulting firm (Microsave), which was conducted in parallel with Private Sector Operations Department's TA 9067-REG: Promoting Financial Inclusion through Financial Technology, particularly on analysis of the financial technology ecosystem, value chain, and regulatory environment in targeted country contexts. For Output 3, a workshop on enhancing financial access for small and medium-sized enterprises was conducted on 23 November 2016 in Islamabad, Pakistan. Three resource speakers were engaged for this workshop.

The TA has achieved all its objectives despite the delay in implementation. A satisfactory performance was delivered by both ADB as executing agency and engaged consultants. The total TA amount was \$500,000, of which \$464,237.65 (92.8%) was disbursed to finance engagement of consultants (\$441,204.53, 88.2%), trainings and seminars (\$20,206.27, 4.0%), and other miscellaneous expenses (\$2,827.05, 0.6%). Given this, the TA is assessed to be efficient.

Evaluation of Outputs and Achievement of Outcome

The outputs of the TA are summarized below:

TA Output	Performance Targets and Indicators
1. Diagnostic tool kits developed for identified thematic areas on microinsurance	5 country diagnostics reports (Pakistan, Cambodia, Myanmar, Philippines, and Indonesia) on 2 thematic areas (SME insurance and mobile technology) were produced. For the SME insurance, the tool kit and report for Pakistan was only shared with selected stakeholders. The tool kit for the mobile technology was included in the report published under Output 2.
2. Diagnostic studies conducted and recommendations for proposed policy reforms on microinsurance for specific themes submitted	<ul style="list-style-type: none"> • Brief on SME insurance: https://www.adb.org/publications/insurance-for-msme • Brief on Agriculture insurance: https://www.adb.org/publications/agriculture-insurance • Accelerating Financial Inclusion in South-East Asia with Digital Finance: https://www.adb.org/publications/financial-inclusion-south-east-asia-digital-finance
3. Capacity for national and regional policymakers, insurance supervisors and other insurance stakeholders developed	A workshop on enhancing financial access for small and medium-sized enterprises through insurance was conducted on 23 November 2016 at Islamabad, Pakistan where the draft recommendations and action plan for increasing investments in SMES and agriculture to raise productivity and ex-ante disaster risk financing were developed through consensus with the active participation of participation of key stakeholders from the government, insurance regulator, the central bank, and insurance industry. The key recommendations stand reflected in the SME insurance report.

All the outputs of the TA were well received by the relevant stakeholders. For the SME insurance topic, regulators and industry experts contributed to the drafting of the recommendations and action plan on range of topics from risk management and SME financing in Pakistan. Feedback on the SME report and 2 briefs has been well received particularly for agriculture insurance and agro-industry based SMEs. The inputs feed into ADB's operations in

Pakistan under Pakistan: National Disaster Risk Management Fund (50316-001). On the other hand, the regional study on financial technology, which looked at digital finance in Cambodia, Indonesia, Myanmar and the Philippines, had 1,281 page views and 587 downloads since its publication in January 2017. It has generated interest in spurring pilots through innovative use of digital technology for advancing financial inclusion especially in Indonesia, Myanmar and Philippines under TA 9067.

Through these outputs, the preconditions for the development of an enabling environment for microinsurance of MSMEs/SMEs and digital finance in Pakistan have been identified. The Securities Exchange Commission of Pakistan (SECP), State Bank of Pakistan and the SME Development Authority have concurred with the recommendations and the draft insurance bill, 2016 circulated by SECP in December 2016 for consultation will address the gaps for putting in place an enabling regulatory environment for microinsurance.

Though there was no action plan submitted, recommendations for addressing gaps that were developed in consultation with stakeholders have been reflected in the draft insurance bill. SECP has approved the draft Insurance Bill, on 1 June 2017 and it has been sent to the Ministry of Finance for its onward submission to the Ministry of Commerce to start the necessary legislative process.

The TA is assessed to be effective as the TA outputs identified the preconditions that need to be put in place for fostering an enabling policy and regulatory environment, consistent with international insurance standards for making available insurance services to the masses.

Overall Assessment and Rating

Overall, the TA is rated *successful*. Most of the originally targeted outputs were produced in a cost-efficient manner within the revised completion date and contributed towards the overall outcome. The TA was effective as it produced knowledge products in emerging areas for future ADB operations. This TA has contributed to potential development of project pipeline (including innovative pilots) through the TA outputs.

The outcomes of the TA are most likely sustainable in view of the wide stakeholder support and participation from the government agencies. In Pakistan, the involvement of key stakeholders led to the incorporation of the recommendations in the draft insurance bill by the SECP demonstrates political commitment and support for growing microinsurance. The diagnostic studies have spurred demand among policymakers and regulators in Cambodia, Indonesia, Myanmar and Philippines for putting the preconditions in place for shaping the future of the financial services industry by leveraging on digital for accelerating financial inclusion.

Major Lessons

The main lessons from project implementation suggest that cross-sector synergy inside ADB, and partnerships with relevant stakeholders play a critical role for sharing knowledge and conceptualizing innovative projects. Continuous regional dialogue provides a valuable platform to keep abreast of latest developments and best practices. Although prior consultation with insurance regulators were carried out at regional fora, the decision on selection of countries was not finalized before the processing of the TA. Simultaneous consultation with regulators and the respective Governments is also important to ensure time-bound implementation of TA as changes in top management lead to shifts in priorities.

Recommendations and Follow-Up Actions

SME and agriculture insurance can benefit significant numbers of farmers and rural population and there is substantial latent demand. Insurance should not be used as a stand-alone product but as one component of a larger risk management system which includes risk reduction, prudent risk taking to access credit, and improved risk reserves through access to savings. It should complement other risk management approaches that might be more appropriate to address more frequent, less severe events. Linkage with digital financial services providers to allow insurance coverage to be easily bought and tracked, and with microfinance institutions and credit organizations to supply chains by protecting productive assets through insurance is critical. Developing an enabling policy and regulatory landscape for insurance is equally important to be able to give insurance the space to scale. Going forward along with exploring avenues of financing SMEs along value chains, one should also identify risks along agriculture value chain and suggest risk reduction measures along with risk financing instruments.

TA = technical assistance.