

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC1043

Date ISDS Prepared/Updated: 09-Sep-2014

Date ISDS Approved/Disclosed: 17-Sep-2014

I. BASIC INFORMATION

A. Basic Project Data

Country:	Kazakhstan	Project ID:	P152230
Project Name:	Kazakhstan: Southeast Europe and Central Asia Catastrophe Risk Insurance Facility (P152230)		
Task Team Leader:	Eugene N. Gurenko		
Estimated Appraisal Date:		Estimated Board Date:	06-Apr-2015
Managing Unit:	GFMDR	Lending Instrument:	Investment Project Financing
GEF Focal Area:	Climate change		
Sector(s):	Non-compulsory pensions and insurance (80%), SME Finance (20%)		
Theme(s):	Other Financial Sector Development (60%), Climate change (40%)		
Financing (In USD Million)			
Total Project Cost:	5.48	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source		Amount	
Borrower		0.00	
Global Environment Facility (GEF)		5.48	
Total		5.48	
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

B. Project Objectives

11. The Project Development Objective (PDO) is to assist Kazakhstan with developing modern catastrophe insurance market infrastructure that will support the launch of innovative catastrophe insurance products covering the risks of extreme weather variability.

12. By facilitating and increasing access to financial protection, the Global Environmental

Objective (GEO) will have been achieved, namely the reduction of economic vulnerability for homeowners, the enterprise sector, and government agencies to the adverse impact of natural disasters and climate change. The proposed project activities support GEF's focus on climate change and more specifically, GEF's objectives on climate change adaptation. By increasing access to sound catastrophe and weather risk insurance products, SEECA CRIF is also in line with the GEF strategy on adaptation. By supporting proper catastrophe risk management and risk transfer, SEECA CRIF reduces economic losses at both local and national level from extreme weather related events, thereby reducing economic vulnerability and creating a more climate resilient country.

13. SEECA CRIF activities are also cross-cutting and collaborative, ensuring the engagement of major stakeholders in Kazakhstan, including several ministries, the National Bank, insurance sector and agriculture. Moreover, because much of the technical work will be focused on establishing complex catastrophe insurance infrastructure and systems, stakeholders will gain the requisite skills and knowledge to better understand catastrophe risk and effectively adapt to such risks and climate change. Furthermore, public awareness of climate change and the benefits of catastrophe and weather risk insurance will be raised through information campaigns and the new law on compulsory Disaster Insurance and supporting its regulations, resulting in increased demand for catastrophe and weather risk insurance products.

14. Although the project has been designed specifically for Kazakhstan, it can be easily replicated in other countries adversely affected by climate change through the extension of existing market infrastructure and insurance services to be developed for Kazakhstan to other country markets.

C. Project Description

16. SEECA CRIF is a catastrophe and weather-risk insurance program established to address the problem of low catastrophe and weather insurance penetration in participating countries. The main rationale of the project is to promote the development of sound catastrophe and weather risk insurance for millions of homeowners, farmers, enterprises and government organizations against geo and weather-related risks exacerbated by climate change and reduce government fiscal risk exposure to natural disasters.

17. The main design features of SEECA CRIF closely follow the previous prototypes of national and regional catastrophe and weather-risk programs developed with direct technical and capital assistance from the Bank – the Turkish Catastrophe Insurance Pool, the Romanian Catastrophe Insurance Pool and the Caribbean Catastrophe Risk Insurance Facility. However, the program contains several innovations. These include (i) the development of innovative catastrophe insurance products which combine traditional indemnity coverage with parametric index-based elements; (ii) establishment of prudent risk management and market conduct requirements embedded in highly automated systems, (iii) development of innovative image-based claims management systems ensuring a swift return to normal life or continuation of business activities in the aftermath of a natural disaster; (iv) introduction of risk based supervision of catastrophe insurance in line with best international practices, (v) development of innovative public awareness and educational mechanisms, including highly interactive IT applications and (vi) ensuring proper financial capacity through dedicated reinsurance capacity.

18. SEECA CRIF program benefits from extensive hands-on experience learned through the implementation of the SEEC CRIF program in the countries of Southeast Europe. There are three main lessons learned from this program. The first lesson is that acquisition of new customized

insurance technologies and supporting those IT systems is fraught with potential delays and shortfalls in the expected quality of implementation. The second lesson is the importance of the government in creating the demand for catastrophe insurance products. The third lesson has to do with the affordability of catastrophe insurance products, which must be designed to fit the budget of most homeowners and SME owners. These lessons have been addressed in the project design. To address the problem of potential delays and quality of technical deliverables by external vendors, the project will be implemented by Europa Re, which accumulated valuable extensive expertise in retaining and successfully managing specialized providers of insurance services. The second lesson is addressed by linking the project to the government program of compulsory catastrophe insurance which would ensure adequate demand for catastrophe insurance products in Kazakhstan. To address the affordability concern, the project envisages that the pricing of compulsory catastrophe risk products can be made affordable by the introduction of innovative automated pricing and underwriting technologies, the extensive national customer base that allows to broadly distribute the fixed administrative costs among millions of policyholders, and through introduction of government financed insurance vouchers that can be used by the economically vulnerable segments of population to pay for compulsory catastrophe insurance.

19. Europa Reinsurance Facility Ltd. (Europa Re), a government-owned catastrophe reinsurance company incorporated under Swiss Law in Zug, Switzerland, will act as the SEECA CRIF project implementation agency. Over the last 3 years, in the course of implementing the GEF and SECO grants under the SEEC CRIF program in Albania, FYR of Macedonia and Serbia, Europa Re developed in-depth expertise in procuring insurance services and systems in accordance with the World Bank procurement and financial management guidelines. In the case of SEE, the GEF and SECO grants in the amount of \$10 million were used to develop innovative catastrophe insurance products and underlying them hazard risk models, procure web-based automated pricing, underwriting and policy origination platform, claim management systems and provide regulatory support to local insurance regulators. Given the importance of providing reinsurance capacity to local insurance companies involved in sales of catastrophe insurance products developed under the SEECA CRIF program, Europa Re also will stand ready to provide, if required, reinsurance support to the Kazakh insurance companies that will be participating in the national catastrophe insurance program and, if requested, directly to the Kazakhstan Catastrophe Insurance Pool (KCIP).

20. In the case of SEECA CRIF program for Kazakhstan, the proposed project funding of US \$5.0 million will be used for procuring insurance services and systems that will (i) pave the way for the successful launch of the KCIP's operations upon enactment of the Disaster Insurance Law and (ii) support the development of a sustainable insurance framework for the agricultural sector through innovative insurance solutions and modern technologies. Inter alia, the activities include procurement of web-based insurance sales platform with automated pricing and risk underwriting capabilities, a modern claims management system, high-resolution weather risk data, development of customized weather insurance products for real property and agriculture, public information campaigns, interactive web-based consumer education tools, and insurance regulatory assistance.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

E. Borrowers Institutional Capacity for Safeguard Policies

F. Environmental and Social Safeguards Specialists on the Team

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II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 16-Nov-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

The project does not require safeguard related studies.

IV. APPROVALS

Task Team Leader:	Name: Eugene N. Gurenko	
Approved By:		
Regional Safeguards Coordinator:	Name: Agnes I. Kiss (RSA)	Date: 16-Sep-2014
Practice Manager/ Manager:	Name: Aurora Ferrari (PMGR)	Date: 17-Sep-2014

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¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.