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IMPLEMENTATION COMPLETION AND RESULTS REPORT

(Grant: P152230)

ON A

GRANT

IN THE AMOUNT OF US$ 5 MILLION EQUIVALENT

TO

Europa Re

FOR THE

Kazakhstan: Southeast Europe and Central Asia Catastrophe Risk Insurance Facility

June 30, 2020

Finance, Competitiveness And Innovation Global Practice
Europe And Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective – June 30, 2020)

Currency Unit =	Kazakhstani Tenge (KZT)
406.4 KZT =	US$1

FISCAL YEAR
July 1 - June 30

Regional Vice President:	Anna Bjerde
Country Director:	Lilia Burunciuc
Regional Director:	Lalita M. Moorty
Practice Manager:	Ilias Skamnelos
Task Team Leader(s):	Eugene N. Gurenko
ICR Main Contributor:	Eugene N. Gurenko

ABBREVIATIONS AND ACRONYMS

ACC	Agrarian Credit Corporation
ATI	African Trade Insurance Agency
AYII	Agriculture Yield Index Insurance
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CRIF	Catastrophe Risk Insurance Facility
Europa Re	Europa Reinsurance Facility Ltd
FINMA	Financial Market Supervisory Authority
FIRST	Financial Sector Reform and Strengthening Initiative
GEF	Global Environmental Facility
GIIF	Global Index Insurance Facility
IFC	International Finance Corporation
ISR	Implementation Status Report
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
NBK	National Bank of Kazakhstan
OIC	Oil Insurance Company
PAID	Pool-ul de Asigurare Împotriva Dezastrelor Naturale
PDO	Project Development Objective
SCD	Systematic Country Diagnostics
SEECA CRIF	Southeast Europe and Central Asia Catastrophe Risk Insurance Facility
SECO	Swiss Secretariat for Economic Affairs
SEE CRIF	Southeast Europe Catastrophe Insurance Facility
TA	Technical Assistance
TCIP	Turkish Catastrophe Insurance Pool

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P152230	Kazakhstan: Southeast Europe and Central Asia Catastrophe Risk Insurance Facility
Country	**Financing Instrument**
Kazakhstan	Investment Project Financing
Original EA Category	**Revised EA Category**
Not Required (C)	

Organizations

Borrower	Implementing Agency
Europa Re	Europa Re

Project Development Objective (PDO)

Original PDO

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

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 for millions of people in Kazakhstan, 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 levels from extreme weather related events, thereby reducing economic vulnerability and contributing toward increased climate resilience at the national level.

SEECA CRIF activities are also cross-cutting and collaborative, ensuring the engagement of major stakeholders in Kazakhstan, including the Ministry of Economic Development and Planning, the National Bank, and the Insurance Association. 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 public discussion of the new Law on Compulsory Catastrophe Insurance, resulting in increased demand for catastrophe and weather risk insurance products. The project also aims to provide national and local governments as well as private individuals with the up-to-date actionable information on the risk of natural disasters faced the communities and certain segments of national economy. The information will be delivered to the decision makers in the form of workshops, risk maps and through interactive education tools available on-line.

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

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
TF-A1934	5,000,000	5,000,000	4,957,142
Total	**5,000,000**	**5,000,000**	**4,957,142**
Non-World Bank Financing			
Borrower/Recipient	0	0	0
Total	**0**	**0**	**0**
Total Project Cost	**5,000,000**	**5,000,000**	**4,957,142**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
08-Apr-2016	25-May-2016		31-Dec-2019	31-Dec-2019

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Satisfactory	Satisfactory	Substantial

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	06-Nov-2016	Satisfactory	Satisfactory	.50
02	15-Jun-2017	Satisfactory	Satisfactory	.84
03	05-Mar-2018	Satisfactory	Satisfactory	1.46
04	12-Sep-2018	Satisfactory	Satisfactory	2.27
05	24-Mar-2019	Satisfactory	Satisfactory	3.16
06	11-Oct-2019	Satisfactory	Satisfactory	4.21

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Financial Sector	**100**
Insurance and Pension	100

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Private Sector Development	**25**
Enterprise Development	25
MSME Development	25
Finance	**38**
Financial Infrastructure and Access	25
MSME Finance	25
Finance for Development	13
Disaster Risk Finance	13
Urban and Rural Development	**39**
Disaster Risk Management	39
Disaster Response and Recovery	13
Disaster Risk Reduction	13
Disaster Preparedness	13

ADM STAFF

Role	At Approval	At ICR
Vice President:	Cyril E Muller	Cyril E Muller
Country Director:	Saroj Kumar Jha	Lilia Burunciuc
Director:	Alfonso Garcia Mora	Lalita M. Moorty
Practice Manager/Manager:	Rolf Behrndt	Stefka Slavova
Project Team Leader:	Eugene N. Gurenko	Eugene N. Gurenko
ICR Co Author:		Eugene N. Gurenko

CHANGES TO MAKE IN THE PDO SECTION OF THE SYSTEM GENERATED LANGUAGE:

The original Project Development Objective (PDO) was to assist Kazakhstan in developing a modern catastrophe insurance market infrastructure that would support the launch of affordable, innovative catastrophe insurance products covering the risks of weather extremes.

I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

1. Historically, Kazakhstan has been vulnerable to natural hazards such as floods, mudflows, landslides, steppe winds and earthquakes, adversely affecting homeowners, small and medium businesses (SMEs), and farmers. Climate change exacerbates hydro-meteorological disasters and with a total area of agricultural land of 222.6 million hectares, agriculture plays a prominent role in the national economy, making the country highly vulnerable to the risk of climate change.

2. At the time of this appraisal and still today, severe weather is one of the greatest threats to Kazakhstan, specifically to its agricultural sector. Yield variance in agricultural production in Kazakhstan is 27 percent (compared to 5 percent in the EU), with almost 80 percent of this variability attributed to weather-related events such as deficient or excessive precipitation and extreme temperatures.[1]

3. Severe weather that causes drought, floods, mudflows, and landslides poses significant hazards in Kazakhstan. Drought, for example, has caused a material reduction in grain yields in the north of Kazakhstan two of every five years.[2] Moreover, during the period 1971-2011, severe drought occurred in every region at least once every 5-7 years.[3] With climate change, the intensity and duration of drought is expected to increase.

4. Kazakhstan is also prone to mudflows. About 13 percent of the country's area containing over 26 percent of its population is susceptible to mudflows. Analysis of disaster data shows that the country also suffers from frequent flooding. For example, the March 2005 flood in the Shiyeli-Syr Dariya region affected 25,000 people and caused an economic loss of $7.6 million.

5. Kazakhstan also experiences devastating earthquakes, which tend to occur every 80 to 100 years. The last highly damaging period of seismic activities was 1885-1911, when several large earthquakes struck Verneskoye (1887), Chilik (1889) and Keminskoye (1911). During these earthquakes, the city of Almaty was almost flattened. The more recent Zhambyl province earthquake in May 2003 killed 3 people and affected 36,626 others.

[1] *http://documents.worldbank.org/curated/en/422491467991944802/pdf/103076-WP-KZ-P154004-Box394863B-PUBLIC-ASRA.pdf*
[2] *http://documents.worldbank.org/curated/en/135721468036310201/pdf/319980ENGLISH01ver0p08014801PUBLIC1.pdf*
[3] *http://www.fao.org/3/a-i6738e.pdf*

6. When this project was undertaken, the catastrophe and weather insurance market was underdeveloped in Kazakhstan, despite its high vulnerability to natural disasters and climate change. The existing catastrophe insurance products were not affordable, were of poor credit (e.g., had no adequate claims paying capacity behind them), or were restricted to selected clients as companies rationed the availability of catastrophe coverage through higher prices or simply declined to cover catastrophic risk. As a result, at the time of project appraisal, barely 1 percent of residential properties were insured[4] and even fewer SMEs. In the case of agricultural insurance, an assessment of the now defunct Crop Insurance Law showed that at the time of project implementation, less than 5 percent of farmers were insured under the government agricultural insurance scheme, which was known for not paying claims.

7. To address the problem of the worsening impact of climate change on the national economy, at the time of project concept, the Kazakhstan government planned to introduce a national program of compulsory catastrophe insurance for homeowners and SMEs. It was understood that compulsory insurance would be legislated within the first two years of project implementation. The government also planned to overhaul the existing mandatory crop insurance scheme that covered extreme weather events for the agricultural sector. However, both of these major policy initiatives required a highly advanced catastrophe insurance market infrastructure, including appropriate laws and regulations, which were not yet in place.

8. One of the objectives of *Kazakhstan: Southeast Europe and Central Asia Catastrophe Risk Insurance Facility (SEECA CRIF) Project (P152230)* was to support Kazakhstan's efforts to establish a national program of catastrophe insurance and assist Kazakhstan in building a modern catastrophe insurance market infrastructure. Other objectives included the provision of technical assistance to assist partners in developing the appropriate legal and regulatory frameworks for catastrophic insurance, which also included making recommendations on how the Kazakhstan's outmoded agricultural insurance scheme could be replaced with a more effective program.

9. Based on the valuable experience and specialized insurance expertise developed under a previous World Bank/SECO/GEF project that established the Southeast Europe Catastrophe Insurance Facility (SEE CRIF), the Bank expanded the SEE CRIF program to Kazakhstan. Phase II of the CRIF Program – Southeast Europe and Central Asia Catastrophe Insurance Facility (SEECA CRIF) – aimed to provide comprehensive technical support to the government of Kazakhstan and the local insurance market in the development of an advanced insurance market infrastructure to support sales of catastrophe insurance products by local insurance companies.

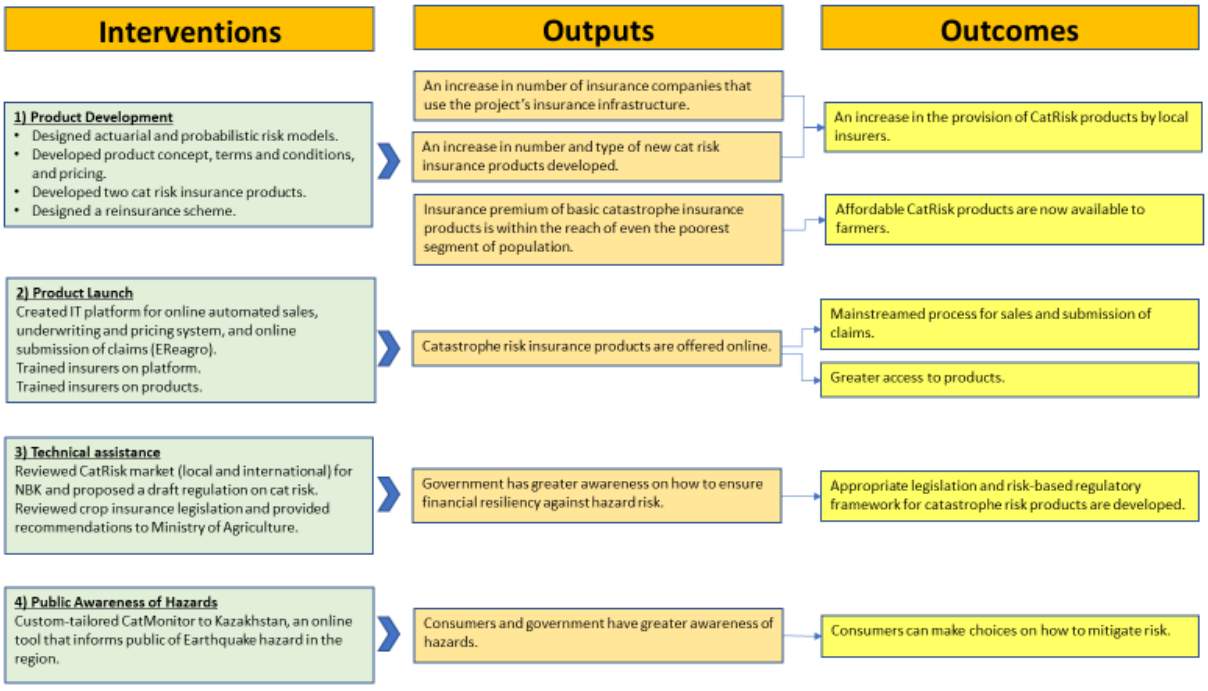
Theory of Change (Results Chain)

10. Because a Theory of Change was not required at the time of appraisal, a Theory of Change (Fig. 1) was created based on the original Results Framework from the Project Appraisal Document (PAD).

[4] *https://www.firstinitiative.org/stories/kazakhstan-setting-foundation-national-catastrophe-insurance-scheme*

The key objective of the project was to assist Kazakhstan in developing a modern catastrophe insurance market infrastructure that would support the launch of affordable, innovative catastrophe insurance products. Building a modern catastrophe insurance market for Kazakhstan included numerous endeavors, such as actuarial analysis of the risk covered by insurance; development of terms and conditions and pricing of insurance products; creation of a reinsurance scheme; creation of an IT platform for the selling and purchasing of catastrophe risk products; developing relationships with local insurers to sell these products and with international reinsurers to provide reinsurance coverage for local insurance companies; training local insurers and insurance agents on both the products and the IT platform used to sell them; developing a Kazakhstan module in CatMonitor, an online tool that informs the public of earthquake (EQ) hazards in the region; and closely working with government entities to improve overall understanding of Kazakhstan's disaster risk, as well as ensure governmental support of underlying legislation needed for a successful modern catastrophe insurance market.

Figure 1. Theory of Change



11. A fully developed catastrophe insurance market infrastructure was expected to contribute toward building stronger financial resiliency for Kazakhstan. First, by developing catastrophe insurance products for Kazakhstan and providing them with earmarked reinsurance capacity, the project aimed to enable local insurers to sell them without assuming undue risk exposures at an affordable (but still actuarially sound) price. Second, with an online IT platform that provided both product sales and submission of claims, the project aimed at making catastrophe insurance easily accessible to the public. The sales/claims processes were also to be mainstreamed leading to a reduction in costs and reduced duration of claims processing. Third, by developing an EQ risk awareness module

in CatMonitor specific to Kazakhstan, households and SMEs were to be provided with a unique tool to assess their property risk exposure and increase their awareness of the risk. Lastly, in closely working with the government, the project intended to enable the government to pass legislation in support of catastrophe insurance market development and amend the existing, antiquated crop insurance legislation. Overall, this project intended to increase the affordability, availability, and accessibility of catastrophe insurance for the public and demonstrate the effectiveness of market-based solutions in financing the risk of natural disasters in one or two sectors of the economy.

12. One critical assumption of project design was that the government would pass legislation on mandatory property catastrophe insurance. At the time of project conception, the Government of Kazakhstan was reviewing the draft *Law on Compulsory Catastrophe Insurance* earlier prepared with the World Bank and Financial Sector Reform and Strengthening Initiative (FIRST) assistance. However, at the time of project launch, political protests broke out across the country over proposed land reforms, fueled by a worsening financial situation of households and businesses due to the protracted financial crisis. To dampen the political unrest, the government promised not to adopt any new legislation over the next few years that would have adverse financial impacts on the public. The government included the *Law on Compulsory Catastrophe Insurance* in this broad commitment and indefinitely postponed its pledge to establish a mandatory catastrophe insurance program.

Project Development Objectives (PDOs)

13. The original PDO, as stated in the grant agreement, was "to enable the Recipient to assist the Republic of Kazakhstan in developing a modern catastrophe insurance market infrastructure that will support the launch of affordable, innovative catastrophe insurance products covering the risks of extreme weather variability."

14. In this project, the 'recipient' was Europa Re, the implementing partner. This objective was to be measured through 15 indicators, that were later revised, as explained below.

Key Expected Outcomes and Outcome Indicators

15. The key expected outcomes were:
    - Kazakhstan would have a modern catastrophe insurance market infrastructure.
    - Consumers would be more aware of disaster risks and the mitigating role of insurance.
    - The government/NBK would implement an insurance regulatory framework for catastrophic risk.

16. In the original PAD, progress toward the achievement of these outcomes was to be measured through the following PDO indicators:
    - Number of insurance companies that are using the insurance market infrastructure developed under the project in support of voluntary and compulsory climate risk insurance products.
    - Consumers are more aware of catastrophe insurance and its benefits.

17. These PDO indicators were later modified to the following:
    - Insurance market infrastructure would be made available in support of catastrophe risk insurance products (measured through number)
    - CatMonitor - a web-based disaster risk information tool for homeowners would be launched (measured by yes/no).
    - Technical assistance would be completed (measured by yes/no).

18. The restructuring of PDO indicators is discussed below.

Original Project Development Objective Indicators

Indicator Name	Baseline	End Target
Consumers are more aware of catastrophe insurance and its benefits. (Percentage of surveyed households)	0.00	20
Number and type of new cat risk insurance products developed. (Number)	0	2
Cat risk insurance products developed under the project are available through local insurance industry in Kazakhstan. (Yes/No)	N	Y
Percentage of insurance agents in the market offering catastrophe risk insurance. (Percentage)	0	10
Insurance premium of basic catastrophe insurance products are within the reach of even the poorest segment of homeowners (EUR25-40/year). (Yes/No)	N	Y
Catastrophe risk insurance products are offered online. (Yes/No)	N	Y
Number of women in households insured against natural disasters as % of total insured. (Percentage)	0	50
Online automated sales, underwriting and pricing system is launched. (Yes/No)	N	Y
Online claims management system is launched in support of insurance companies participating in the project. (Yes/No)	N	Y
Appropriate legislation and risk-based regulatory framework for catastrophe risk products is developed. (Yes/No)	N	Y
Number of insurance companies selling catastrophe insurance products through insurance market infrastructure developed under the project (at least 3). (Number)	0	3
Actuarial and probabilistic risk models in support of product pricing have been developed. (Yes/No)	N	Y
CatMonitor custom-tailored for Kazakhstan is made available online and regularly maintained. (Yes/No)	N	Y
Demand boosting measures, including introduction of compulsory catrisk insurance scheme and public education campaigns on TV/radio/social media and press on the benefits of catastrophe insurance have been carried out as a result of technical assistance provided to government/insurance regulator under the project. (Number)	0	3
Consumer consultations (Yes/No)	N	Y

Components

19. This project had one component – the funding of technical assistance to expand the SEE CRIF program to Kazakhstan. Within this component, there were five sub-components: general technical services (in support of continuous implementation of the project and its expansion to Kazakhstan); actuarial services; claims services; agriculture insurance services; IT services; and public relations and marketing services. The estimated cost of this project was $5.00 million (GEF/SCCF grant). At the time of writing this ICR, the actual resource allocation was $4.957 million. The remaining amount of $43k will be returned to the donor.

Main Beneficiaries

20. At the time of project concept, the main beneficiaries were envisioned to be households, SMEs, and farmers exposed to weather-related risks and geological hazards. By developing a catastrophe insurance infrastructure in Kazakhstan, this project would provide greater access to affordable disaster insurance, which would serve as a financial safety net following catastrophic events.

21. Moreover, it was expected that this project would benefit Kazakhstan's financial sector by boosting market infrastructure of the domestic insurance industry and reducing the financial exposure of banks to catastrophic losses through improved insurance coverage of mortgaged properties.

22. Lastly, the government was to benefit from this project. A catastrophe insurance infrastructure/market would reduce the government's fiscal liabilities and mitigate the adverse impacts of natural hazards on fiscal stability and economic growth. Catastrophe insurance would also free up fiscal resources that the government could use to provide post-disaster aid to the neediest citizens.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

Revised PDOs and Outcome Targets

23. About halfway through the project, in September of 2018 when it was realized that the government was not going to pass a law on compulsory catastrophe insurance, the Results Framework was revised to better reflect the direction of the project. The original indicators were modified to focus on the weather-risk elements of the project. It should be noted, however, that the PDO was still highly relevant and thus remained unchanged. Because the original PDO was not affected and the indicators were only slightly modified, the project did not need to be formally restructured.

Rationale for Changes and Their Implication on the Original Theory of Change

24. In 2015, when the project was conceived, the Government of Kazakhstan was in the process of drafting a new *Law on Compulsory Catastrophe Insurance*. At the time of project design, technical assistance for the preparation of the draft law was proceeding under a separate technical assistance project funded by the World Bank and FIRST.

25. Based on the government's intent to pass a law on compulsory catastrophe insurance, this project included the development of several catastrophe insurance products to cover different natural perils, including earthquakes. However, in the first few years of product launch, because of political protests on proposed land reforms, the government promised not to pass any new legislation that would have negative financial impacts on the public. The government included the *Law on Compulsory Catastrophe Insurance* in this promise and indefinitely postponed the mandatory catastrophe insurance program. Consequently, when the government did not pass the law, the development of earthquake insurance products was suspended, and the project transitioned to developing catastrophe insurance for the agricultural sector instead.[5]

26. Thus, the end targets of various indicators were revised to focus on catastrophic insurance for the agricultural sector. For example, for the indicator about the number of insurance carriers using the catastrophe insurance market infrastructure, the end target was reduced from 4 to 1 because there were only two insurance carriers that insured agricultural enterprises in Kazakhstan under the state-subsidized agricultural insurance program (a program that is now defunct), specifically Halyk-Kazakhinstrakh and the Grain Insurance Company. Moreover, indicators that had broadly encompassed all consumers were changed to reflect the concentrated focus on the agricultural sector. Despite the focus on agriculture, however, the project continued to work with the Kazakhstan government on building a broad, comprehensive catastrophe insurance market and carried out numerous technical assistance activities that covered the full suite of catastrophe risk insurance coverage development.

27. It is also important to note that the changes to the indicators did not change the PDO, nor did it have any major implication on the Theory of Change. Both the PDO and Theory of Change involved the broad development of a catastrophe market infrastructure, not specific insurance products. Thus, when the Kazakhstan government postponed the *Law on Compulsory Catastrophe Insurance*, this action did not impact the building of a catastrophe market infrastructure. It only impacted the viability of certain catastrophe products that were going to be developed, e.g. earthquake insurance, and shifted the project's focus to more feasible products such as catastrophe insurance for the agriculture sector.

[5] It should be noted that before further development of earthquake insurance products was suspended, Europa Re built an earthquake product and developed risk ratings based on variables such as location of property, construction class, building age, etc. It was a very sophisticated product and was to offer local homeowners a risk-based tariff. Thus, the underlying technical work for earthquake insurance has been completed and can be easily adopted if/when the government implements a compulsory catastrophe insurance program.

Revised PDO Indicators

28. The Result Framework was revised as explained below.

Indicator Name	Base-line	End Target	Modification	Comments
Number of insurance companies that are using the insurance market infrastructure developed under the project in support of voluntary and compulsory climate risk insurance products. (Number)	0.00	1	End target revised from 4 to 1	Target revised because only two insurance companies in KZ insured agriculture at time of project.
Consumers are more aware of disaster risks and the mitigating role of insurance. CatMonitor custom-tailored for Kazakhstan is launched. (Yes/No)	N	Y	Indicator originally was, "Consumers are more aware of catastrophe insurance and its benefits" and measured by percent of consumer.	Without compulsory EQ insurance, wide public use of CatMonitor was no longer expected. Indicator revised to reflect project implementation progress.
TA is provided to government/NBK in developing enabling insurance regulatory framework for cat risk.	N	Y	This indicator was not in the original PAD.	Indicator added when it became evident that this TA was crucial to the project.
Catastrophe risk insurance products are offered online. (Yes/No)	N	Y		
Online claims management system is launched in support of insurance companies participating in the project. (Yes/No)	N	Y		
Insurance premium of basic catastrophe insurance products are affordable for a good risk consumer. (Percentage, Custom)	N	Y	This indicator was originally, "Insurance premium of basic catastrophe insurance products are within the reach of even the poorest segment of homeowners (EUR25-40/year). (Yes/No)".	Indicator was revised when the project changed its focus from homeowners to the agriculture sector and farmers
Online automated sales, underwriting and pricing system is launched. (Yes/No)	N	Y		
Cat risk insurance products developed under the project are available through local insurance industry in Kazakhstan. (Yes/No)	N	Y		

Number and type of new cat risk insurance products developed. (Number)	0	2		
Insurance agents in the market offering catastrophe risk insurance. (Yes/No, Custom)	N	Y	This indicator was originally measured by a percentage of insurers offering CatRisk insurance but was changed to a No/Yes measurement.	Indicator changed when focus switched to agriculture sector/farmers. Only 2 insurance companies insured agriculture in KZ at the time of the project.
Number of women in households insured against natural disasters as % of total insured. (Percentage)	0	50		
Appropriate legislation and risk-based regulatory framework for catastrophe risk products is developed. (Yes/No)	N	Y		
Number of insurance companies selling catastrophe insurance products through insurance market infrastructure developed under the project (at least 3). (Number)	0	1	The end target of this indicator was changed from 3 to 1.	Changed to reflect the fact that at the time of this project, only 2 insurance companies insured agriculture in KZ.
CatMonitor custom-tailored for Kazakhstan is made available online and regularly maintained. (Yes/No) (Yes/No, Custom)	N	Y		
Actuarial and probabilistic risk models in support of product pricing have been developed. (Yes/No)	N	Y		
Demand boosting measures, including introduction of compulsory catrisk insurance scheme and public education campaigns on TV/radio/social media and press on the benefits of catastrophe insurance have been carried out as a result of technical assistance provided to government/insurance regulator under the project. (Number, Yes/No, Custom)	N	Y	This indicator was originally measured by number of activities carried out and was changed to a Yes/No outcome.	

Other Changes

29. There were no other changes during implementation.

II. OUTCOME

A. RELEVANCE OF PDOs

Assessment of Relevance of PDOs and Rating

30. The Relevance of the PDO is rated as Substantial. At the time of project design and implementation, the PDO was highly relevant to the Kazakhstan government's priorities. Although this project was undertaken in FY16 and thus not reflected in the *Country Partnership Strategy for the Republic of Kazakhstan, for the Period FY12-FY17*, it was in agreement with the CPS priority that focused on strengthening the crop insurance regime.

31. Moreover, at the time of project design, the government of Kazakhstan was in the process of enacting a national mandatory catastrophe insurance program. From 2014-2015 under a FIRST initiative, a World Bank/FIRST team worked with key Kazakhstan stakeholders to develop a framework for a catastrophe insurance scheme. This framework led to a draft law on compulsory catastrophe insurance, setting the stage for this project and the development of a catastrophe insurance market in Kazakhstan.

32. However, as explained earlier, due to massive protests, Kazakhstan postponed implementing a compulsory catastrophe insurance program. Despite this major shift in government priorities, the World Bank and Europa Re's implementation support was responsive to these changing requirements. The project continued to assist in the development of a catastrophe insurance market but retooled the insurance products to focus on the agriculture sector and weather-risk products.

33. Because of this retooling, this project's PDO is still highly relevant today. The project has demonstrated that private insurance solutions without any government subsidies can address the business needs of farmers, thus making them more bankable and financially resilient to exogenous shocks such as natural disasters.

34. This project is also applicable to Kazakhstan's future agricultural endeavors. As described in the 2017 Systematic Country Diagnostics (SCD) for Kazakhstan, the agriculture sector in Kazakhstan is extremely important because it employs 2.7 million people, more than any other sector. Moreover, as explained in the new *Country Partnership Framework (CPF) for Kazakhstan, FY2020-25*, one of the objectives is to "promote market-led agriculture transformation," a sector that is hampered by "weak and distorted systems to support smallholder farmers with extension, finance, and key services/inputs." The current CPF also states that in Kazakhstan, "access to finance in rural areas, particularly in agriculture, is very limited" and that "climate change is expected to make Kazakhstan 'drier' on average." All of these factors – climate change and the need for better access to finance in rural areas – reinforce the need for a strong catastrophe, weather-risk insurance market, as well as catastrophe insurance products that support the extension of credit to farmers.

B. ACHIEVEMENT OF PDOs (EFFICACY)

35. The overall efficacy rating is 'Substantial.' Although the project achieved its objective and intermediate indicators by the closing date, due to a shift in government priorities, the project could not achieve the full-suite of catastrophic insurance products, as formerly intended.

36. The most important outcome of this project is that there is now an infrastructure for both the sales and claims of catastrophe insurance products, which is currently being used to sell the Agriculture Area Yield Index Insurance (AYII) Credit Default insurance product, an agricultural insurance policy created under this project. This market infrastructure can also be expanded to include other catastrophe insurance products if/when the government decides to pursue compulsory catastrophe insurance in the future.

37. AYII Credit Default insurance, a weather-risk, agricultural insurance product developed under this project, is also an example that market-based, actuarially priced agricultural insurance can sell in Kazakhstan. Currently, AYII Credit Default insurance is being sold to agricultural producers in Kazakhstan without government subsidies.

38. There is also potential to further expand the offerings and penetration of catastrophe agricultural insurance products, especially after the government cancelled the antiquated law on compulsory agricultural insurance scheme at the end of 2019. Currently, the government is developing a new system to replace the old, fiscally inefficient, and farmer-unfriendly agricultural insurance premium subsidy program. Although details are still being developed, it is possible that the AYII Credit Default insurance product can fall under this new government agricultural insurance scheme. If it does, it will further increase demand for this product.

39. Lastly, through technical assistance and CatMonitor, the project has also increased awareness of hazard risk. Moreover, through technical assistance, the government now has the tools to implement a new regulatory and policy framework for earthquake risk insurance, as well as the knowledge on how to modernize its future crop insurance scheme, which is under development.

Assessment of Achievement of Each Objective/Outcome

40. Progress against key performance indicators and targets is summarized as follows:

Increased Number and Type of CatRisk Insurance Products

41. Specifically related to the indicator, "Number and type of new cat risk insurance products developed" with an end target of two new products, this objective was successfully attained.

42. Prior to this project, agricultural catastrophe insurance products in Kazakhstan were not attractive due to poor quality of coverage and inadequate claims performance by two major agricultural insurance companies. Under this project, Europa RE developed two agricultural CatRisk insurance products. First, Europa Re developed actuarial tariffs for key crops under AYII, a multiple-peril index-based insurance policy that insures farmers against all climatic and biological perils that could cause a drop in yield below a historic average. However, because of elevated probability of adverse weather conditions in Kazakhstan (15-20 percent), the AYII insurance premium rates were higher than in most other country markets.[6] After the product was reviewed by the local Farmers Association, AYII was deemed too expensive for Kazakhstan without a premium subsidy from the government and thus was never offered to farmers.

> **Agriculture Area Yield Index Insurance (AYII)**
> The first product that Europa Re developed was AYII, a multiple-peril index-based insurance policy that insures farmers against all climatic and biological perils that could cause a drop in yield below a historic average.

43. Building on the AYII foundation, Europa Re then created a second product that combined AYII with a credit risk default trigger. The main objective of the product was to increase access of local farmers to rural finance. In the spring of 2018, the AYII Credit Risk Default insurance product was launched to insure crop-production related loans of agricultural commodity producers against the risk of credit default due to lower than average regional yields. The product protects lenders against the risk of default by borrowers (agricultural producers) in case of adverse weather conditions, which may cause a drop in yield in the insured area below a certain level, typically 60-70 percent of a three-year historic average. In support of product pricing, actuarial and probabilistic risk models were also developed, and a reinsurance program was placed with international reinsurers to transfer catastrophe risk to the global reinsurance market.

> **AYII Credit Risk Default Insurance Product**
> Europa Re developed a second product that combined AYII with a credit risk default trigger. If average regional yield is below a certain level, credit default is insured. This product allows agricultural producers to obtain up to 40% larger loan amounts without providing additional collateral.

44. This second product is considerably less expensive. It enables agricultural producers to obtain up to 40 percent larger loan amounts without providing additional collateral and provides financing to a greater number of agricultural producers, who previously did not have access to finance. The pilot project was implemented for borrowers of the Agrarian Credit Corporation JSC (ACC) – the largest agricultural lender in the country. Although this new product is currently being used with ACC loans, it has potential for replication and can be used by other private or government lenders.

45. The project provided coverage over three consecutive planting seasons (2018-2020), showing gradual increases in the uptake rates. Over this time, the program managed to insure over 80,000 hectares of crops, which is significant for a small pilot.

[6] The probability of adverse weather conditions was inferred from crop yield data, which is closely correlated with extreme temperatures and precipitation patterns in Kazakhstan.

46. For future sales, the AYII Credit Default Insurance product also has promise. ACC financing is provided to credit unions for spring sowing and harvesting under 3 programs – Kendala, Economics of Simple Things, and Agribusiness of Credit Unions. Table 1 shows the potential for financing and insurance coverage under these 3 programs. The amount of total credit extension to crop farmers which can be insured under the program is KZT 105,886,473,000 or $261,433,000.

47. It should be noted, however, that due to CU credit rating requirements, not all can apply for participation in the AYII Credit Default Insurance Program and at this moment, coverage actually represents less than 1% of the potential in terms of financing. It is proposed, therefore, to expand the AYII Credit Default Insurance Program to cover more crops, extend insurance deadlines, as well as add credit unions with ratings below D.

Table 1: Potential for AYII Credit Default Insurance Coverage

	KenDala (actual)		Economics of simple things (plan)		Agribusiness of CU (plan)		Potential for spring sowing works		Insurance coverage	
Oblast	Loans in 000 KZT	in %	Loans in 000 KZT	in %	Loans in 000 KZT	in %	Loans in 000 KZT	in %	Insurance coverage in 000 KZT	in % of rural lending loans
Akmolinskaya	5 955 145	24%	7 000 000	14%	5 200 500	17%	18 155 645	17%	349 500	1,9%
Karagandinskaya	1 661 196	7%	4 500 000	9%	1 880 000	6%	8 041 196	8%	155 833	1,9%
Kostanayskaya	4 052 916	17%	6 000 000	12%	3 020 000	10%	13 072 916	12%	62 280	0,5%
North Kazakhstan Region	6 964 107	28%	6 000 000	12%	4 158 500	13%	17 122 607	16%	0	0,0%
Total credit or insurance to CUs in Kazakhstan	24 523 772	100%	50 000 000	100%	31 362 701	100%	105 886 473	100%	567,613	<1%

Source: Europa Re, 2020

48. While the AYII Credit Default insurance product is currently being offered through the OIC to ACC credit unions, in the future it could also be offered by other private and government lenders. The AYII Credit Default product is distinct from conventional agricultural insurance products in that it is tied to an agricultural loan. Thus, when the government ultimately develops and implements its new agriculture insurance scheme (which will subsidize a percent of the premiums for agricultural insurance products), the AYII Credit Default insurance product could easily fall within the government agricultural insurance scheme, if the government determines the product should be included.

Lower Premium Rates for CatRisk Products

49. Specifically related to indicator, “Insurance premium of basic catastrophe insurance products are affordable for a good risk consumer,” this objective was successfully achieved.

50. Since 2018, the premium rates for insurance products for low risk borrowers with good credit standing were reduced by Europa Re on the basis of an actuarial review of the product from 7 to 2 percent of the sum insured, thus making agricultural catastrophe insurance more affordable and considerably more attractive for local farmers. It is worth mentioning that the product can be made even more affordable in the future if it gets qualified for a 50 percent premium subsidy under the recently announced new government premium subsidy scheme for agriculture.

Increased Number of Insurers Offering CatRisk Products

51. Specifically related to indicator, “Number of insurance companies that are using the insurance market infrastructure developed under the project in support of voluntary and compulsory climate risk insurance products,” this objective was achieved based on the revised indicator. However, after the cancellation of the mandatory government insurance scheme, there has been an increased interest in the agricultural insurance market by private insurers. For instance, in May 2020, another private insurer expressed strong interest in joining the SECA CRIF program.

52. Prior to this project, only two insurance companies were selling agricultural CatRisk products. Both of them were selling a standard insurance product heavily subsidized under the government’s agricultural insurance program. The claims paying record of these two insurers was almost non-existent. In addition, registered as mutual insurers, both companies were operating without sufficient capital and thus were technically insolvent as measured by Solvency I standards. With the support of Europa Re, in May of 2018, the Oil Insurance Company (OIC), a local private insurance company that had not been involved in agricultural insurance before, agreed to become a SEECA CRIF project partner and began selling the AYII Credit Risk Default product to local agricultural cooperatives. Sales were carried out using the web-based underwriting platform, as well as the weather risk data and pricing algorithms developed under the SEECA CRIF project. Despite the initial reluctance of agricultural cooperatives to buy any voluntary agricultural insurance due to a very poor claims paying record of the two mutual agricultural insurers, overtime the interest in the product grew substantially both from the cooperatives and the insurance market.

53. As seen in Table 2, in the spring of 2019, a second round of sales took place. Three general insurance contracts with credit unions and twelve single contracts were concluded for an approximate total of $18,500 USD in premium covering 21,000 hectares of crops, with the risk reinsured globally.

54. After the project closed in the spring of 2020, product sales resumed on a larger scale reaching over 70,000 hectares. Four more contracts with credit unions (CU) were concluded, for a total of seven insured CUs. At the time of this report, thirty-one policies have been sold.

Table 2: Kazakhstan Agro policies (as of 04 June 2020)

	UY 2018	UY 2019	UY 2020
Number of policies sold to date	5	12	31
Total premiums, KZT	5,354,324	6,859,586	13,670,980
Total sums insured, KZT	182,840,000	210,040,000	567,613,311
Total Insured Crop Area, Ha	19,419	21,408	70,220
Number of insureds (Credit Unions)	3	3	7

Remarks: The above figures do not include cancelled policies.

Improved Understanding of Risk through Provision of Technical Assistance

55. This objective was achieved under the indicator, "TA is provided to government/NBK in developing enabling insurance regulatory framework for cat risk."

56. Europa Re provided a great deal of technical assistance to various governmental entities during the lifespan of this project. First, Europa Re completed a TA project for the local insurance market regulator - the National Bank of Kazakhstan (NBK). Europa Re provided the NBK with a review of catastrophe insurance markets in other countries, which included best international regulatory practices for catastrophe insurance and reinsurance activities. The project also provided an assessment of the current local regulatory and market catastrophe insurance practices, which included regulations on solvency and reinsurance requirements. Europa Re also made recommendations on how these regulations could be improved. Moreover, for the NBK, Europa Re also produced a *Survey Report on Earthquake Insurance Risk Review* and prepared a draft insurance regulation on earthquake insurance risk.

57. With the Ministry of Agriculture, Europa RE established an ongoing dialogue and provided in-depth legal and regulatory technical assistance on agriculture insurance. First, regarding the reform of Kazakhstan's agricultural insurance system, Europa Re provided numerous analytical recommendations on the now obsolete *Law on Compulsory Crop Insurance*. Following one of the project recommendations, in December 2019, the government cancelled the compulsory agricultural insurance program and is currently developing a new scheme to replace the old one.

58. Europa Re also provided the MoA with a legal and regulatory framework for AYII. This TA included developing premium rates based on actuarial calculations for crops covered under AYII; policy design and wording; developing underwriting procedures; and loss settlement and payout procedures. Although this product was deemed too expensive due to Kazakhstan's adverse weather conditions, the framework was ultimately used as the trigger for the credit default insurance product.

Greater Access to CatRisk Insurance through EReagro

59. This objective was achieved under the following indicators:

- Actuarial and probabilistic risk models in support of product pricing have been developed.
- Online claims management system is launched in support of insurance companies participating in the project.
- Online automated sales, underwriting and pricing system is launched.
- Cat risk insurance products developed under the project are available through local insurance industry in Kazakhstan.
- Insurance agents in the market offering catastrophe risk insurance.
- Catastrophe risk insurance products are offered online.

60. Prior to this project, insurance companies did not have an automated web-based system to support sales of agricultural insurance products, including underwriting and pricing. Under this project, a fully-automated sales, underwriting, and pricing system called EReagro was successfully developed and launched in the spring of 2019 and is still being used by insurers to sell the product online. Consumers can now purchase catastrophe insurance products and submit claims online. Moreover, EReagro's underlying IT system is perceived as being highly user-friendly. It only takes a slight calibration of internal IT systems to connect to Europa Re with no IT cost investment and a few hours of IT integration.

61. As seen in Table 3, this project has resulted in greater access to weather-risk insurance, ultimately giving poorer farmers greater access to credit. Currently, there are contracts with seven credit unions and the number of end beneficiaries stands at 29 farms. At the time of this report, the AYII credit default insurance product insured over $3.7 million in agricultural loans.

Table 3: UY 2020 Agro Policies

Insured (Credit Union)	Number of Policies	Number of Farms Insured	Total amount of Principal loan under insurance policy, KZT	Total sums insured, KZT	Total premiums, KZT
CU Arshaly	2	2	66,200,000	23,500,000	415,950
CU Balashak	3	2	510,100,000	204,000,000	3,664,740
CU Korgalzhyn	1	1	103,000,000	41,200,000	795,160
CU Sarybel	14	13	421,183,433	155,833,000	2,809,664
CU Sunkar	4	4	23,725,777	9,280,311	293,626
CU Tobyl LLP	3	2	149,000,000	53,000,000	1,134,720
CU Yerementau Agro LLP	4	5	202,000,000	80,800,000	4,557,120
TOTALS	**31**	**29**	**1,475,209,210**	**567,613,311**	**13,670,980**

62. To successfully launch EReagro, Europa Re had to first accomplish numerous, large-scale tasks. Europa Re worked with partners on developing an actuarial analysis of risk and established the terms, conditions and pricing of insurance products. Europa Re also created an IT platform for the selling and purchasing of catastrophe risk products and trained local insurers and insurance agents

on both the products and the IT platform used to sell them. Moreover, Europa RE developed relationships with local insurers to sell these products, as well as with international reinsurers to provide reinsurance coverage for local insurance companies.

Improved CatRisk Awareness through CatMonitor

63. This objective was achieved under the following indicators, (a) "Consumers are more aware of disaster risks and the mitigating role of insurance. CatMonitor custom-tailored for Kazakhstan is launched" and (b) "CatMonitor custom-tailored for Kazakhstan is made available online and regularly maintained."

64. In April of 2018, CatMonitor was successfully launched and custom-tailored for Kazakhstan and is now available for use in Russian and English. CatMonitor provides local homeowners with actionable and scientifically proven information about the vulnerability of their dwellings to earthquake risk, which can be accessed by the public at *https://catmonitor.com/catmonitor/?lang=ru*.

Justification of Overall Efficacy Rating

65. The overall efficacy is rated as Substantial. The project achieved its PDO and intermediate indicators by the closing date. To achieve the PDO, the project built a fully functioning catastrophe insurance infrastructure in Kazakhstan that can be used to sell catastrophe insurance products in the future.

66. However, due to a change in government priorities, a full-suite of catastrophic products were not developed, as originally intended. Despite this setback, the project developed a new type of weather-risk insurance product that encourages banks to provide more credit to poor farmers. Moreover, through technical assistance, the project provided the government with a draft catastrophe insurance regulatory framework and helped the government improve its agricultural insurance scheme. Lastly, through CatMonitor, the project also increased the public's awareness of hazard risk.

C. EFFICIENCY

Assessment of Efficiency and Rating

67. Efficiency is rated as Substantial. Although no cost-benefit analysis or estimate of the economic rate of return was undertaken during implementation, the overall efficiency is considered 'Substantial.' All planned activities were completed within budget and on time.

68. One of the main factors in the project's efficiency was Europa Re, the implementing agency. Europa Re has proven to be a cost-effective and highly competent implementing partner. Typically, when an insurance company develops and sells a new product, 25-30 percent goes towards administrative costs. However, for this grant, only 10 percent went towards Europa Re's administrative costs. The other 90 percent of grant proceeds was spent on core technical activities to build the market infrastructure such as modeling, actuaries, programming of underlying IT systems, etc. Costs were

also kept low since Europa Re was an experienced and technically competent implementing agency.

69. Another reason for the project's efficiency is because it built upon the foundation of the Southeast Europe Catastrophe Insurance Facility (SEE CRIF) and was able to tap into a pool of technical expertise that had already been established under the SEE CRIF project in three countries of the Western Balkans.

70. Overall, it should be noted that this pilot project was the first step in developing a larger catastrophe insurance scheme in Kazakhstan and is considered highly scalable. Now that the infrastructure has been built, further catastrophe products can be added. For example, if Kazakhstan ultimately legislates compulsory insurance, this pilot program will have laid the groundwork for a strong catastrophe insurance infrastructure and this project will have achieved good cost-benefits. Even if the government does not mandate compulsory catastrophe insurance, separate catastrophe insurance products can be developed and added to the infrastructure at any time.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

71. ***The overall outcome is rated as Satisfactory.*** The rating takes into consideration both the original and the revised indicators and is made based on Substantial ratings for Relevance, Efficiency, and Efficacy. A split rating has not been used in the assessment of the overall outcome rating.

Relevance of Objectives	Efficacy	Efficiency	Overall Outcome
Substantial	Substantial	Substantial	Satisfactory

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

Gender

72. As noted in the original PAD, although the project could not ensure the targeting of women, specifically female farmers and homeowners, the project design did maintain equality by equally offering access to the CatRisk monitor and insurance products, as well as hazard risk information, to both genders.

73. Moreover, at the time this project was prepared, gender tagging was not yet an established practice within the World Bank. As a result, this project did not link gender to its activities, indicators, or final analysis, but simply had a notional indicator tracking the percentage of women benefitting from the products developed. As seen in the Results Framework, this indicator was fully achieved, "Number of women insured against natural disasters as % of total insured. (Percentage)."

Institutional Strengthening

74. By developing a modern market insurance infrastructure that can support future sales of affordable catastrophe insurance products, the project strengthened the country's insurance market. Europa Re assisted Kazakhstan in developing CatRisk products, as well as the underlying support system,

that included risk modeling, pricing, sales, reinsurance, and claims management. Europa Re also helped build the current and future capacity of local insurers by providing them with access to a web-based insurance sales platform, earmarked reinsurance capacity, training, and modern catastrophe risk monitoring tools.

Mobilizing Private Sector Financing

75. Europa Re enabled the local insurer to reinsure the risk in the global reinsurance market thus considerably increasing the capacity of the project to finance disaster risk without relying on government financial support. Moreover, actuarial analysis shows the AYII credit default insurance product can be sustainable without government subsidies or compulsory insurance.

Poverty Reduction and Shared Prosperity

76. The original PAD included a higher-level objective of contributing to poverty alleviation and helping protect the most vulnerable populations by introducing targeted insurance premium subsidies for the most vulnerable groups through participation in a national catastrophe insurance program. Although the Kazakhstan government suspended the implementation of a compulsory catastrophe insurance program, and thus the project did not have the larger poverty alleviation impact as intended, SEECA CRIF did contribute to poverty alleviation, albeit in a minor way.

77. In Kazakhstan, the agricultural sector provides very low wages and those who work in agriculture are susceptible to poverty. With the AYII Credit Risk Default product, farmers are able to acquire larger loans without having to provide more collateral, which most of them do not have. In other words, the AYII Credit Risk Default product helps poorer farmers that do not have sufficient “hard” collateral or real assets to access credit. In addition, through public education and by improving disaster data collection for catastrophe insurance products, SEECA CRIF increased the public and government awareness of disaster risk among the general public.

Climate Change Adaptation

78. Overall, this project was developed to support GEF’s focus on climate change and more specifically, GEF’s objectives on climate change adaptation.

79. Although this pilot project was not able to provide a comprehensive suite of catastrophic insurance products, it was still able to produce an insurance product, reinsured on the global market, that reduces Kazakhstan’s economic vulnerability to climate change, even in a very small and limited way. Moreover, the climate change awareness that was raised throughout numerous technical assistance discussions will hopefully lead the Kazakhstan government to ultimately implement compulsory catastrophe insurance. And if they do, this project has laid the groundwork for a full-fledged catastrophic insurance market, thereby contributing to Kazakhstan’s climate resilience.

Other Unintended Outcomes and Impacts

80. One unintended outcome is that this new innovative product can be replicated in other European and Central Asian countries. Currently, a concept note is being developed for a partial credit default guarantee facility for SMEs and rural enterprises using a similar design for other countries in the region.

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

81. During preparation, the project design was built on lessons learned from developing national and regional insurance programs, both disaster-related such as SEE CRIF, the Turkish Catastrophe Insurance Pool (TCIP) and the Romanian Pool-ul de Asigurare Împotriva Dezastrelor Naturale (PAID), as well as non-disaster related such as the African Trade Insurance Agency (ATI) and the Global Index Insurance Facility (GIIF), a joint WB/IFC project. For example, previous insurance programs had difficulties in purchasing IT solutions. To address problems of acquiring IT solutions, this project had Europa Re manage all vendors of IT services.

82. At preparation, a comprehensive assessment of the government's commitment was also made. One of the major lessons learned from previous disaster insurance projects was the importance of government in creating demand for catastrophe insurance products. Governments need to stimulate demand through a variety of methods such as public awareness campaigns; economic policies that reward proactive behaviors in adopting disaster risk mitigation strategies; and through the introduction of a compulsory disaster insurance mandate. At the time of preparation, it was understood that the government of Kazakhstan was going to put into place a new *Law on Compulsory Disaster Insurance*.

83. Lastly, to address the affordability concern, the project envisioned that the pricing of compulsory catastrophe risk products could be made affordable by the introduction of innovative automated pricing and underwriting technologies; by developing an extensive national customer base that would allow to broadly distribute fixed administrative costs among millions of policyholders; and through the introduction of government financed insurance vouchers that could be used by socially vulnerable segments of population to pay for compulsory catastrophe insurance.

B. KEY FACTORS DURING IMPLEMENTATION

Factors Subject to Control of Government and/or Implementing Entities Control

84. **Lack of Government Commitment to a National, Compulsory Catastrophe Insurance Program:** One of the main factors (and challenges) during implementation that was subject to the control of the government was a lack of government commitment to a national, compulsory catastrophe insurance program. When the project was designed, the results framework was based on the assumption that the government would spur demand by making catastrophe insurance mandatory, as well as by establishing a program that would target the poor by providing vouchers to purchase catastrophe insurance. As noted earlier, these endeavors did not materialize and the project had to

consider insurance products that did not rely on demand driven by compulsory catastrophe insurance.

85. **Turnover of Staff:** Another factor (and challenge) that was partially within the control of the government was the frequent turnover of staff. Over the lifetime of the project, there were three Ministry of Agriculture Ministers (although it should be noted that one of these changes in MoA leadership was due to the 2019 Presidential Election). This reshuffling of Ministers meant that already agreed upon programs and policies were subject to change retroactively, which led to uncertainty and delays regarding business practices. In the case of SECA CRIF project, this lack of business continuity on the part of ACC, KazAgro's subsidiary, manifested itself in a 3 months delay with the accreditation of the same insurance product that had already won approval and had been offered to the ACC clients in 2018-2019. Moreover, a lack of a champion led to a difficult working environment for the project implementation entity.

86. **An Experienced Implementing Agency:** A key factor to the successful implementation of this project was the implementing agency, Europa Re. Because this project required specialized technical activities, not only in insurance and reinsurance, but also in IT and other insurance related technical services, it was crucial that the implementing agency was experienced and technically competent. Europa Re also had a successful track record with previous World Bank projects, and understood the World Bank procurement, disbursement and financial management requirements, as was made evident by several financial management and procurement audits.

87. **Supporting Innovation:** A factor within the control of Europa Re, the implementing partner, was its ability to develop new and innovative products. Without a law on compulsory catastrophe insurance, the challenge was to refocus the project on developing catastrophe insurance products for the agricultural sector. Initially, Europa Re designed AYII and its underlying actuarial and pricing analysis. When AYII was thought of as too expensive, Europa Re continued to move forward by developing a cheaper insurance product tied to agricultural loans provided by ACC, the largest rural lender in the country. These retooled products are now being sold to credit unions. And if/when the government decides to revisit mandatory catastrophe insurance, the underlying infrastructure that was developed under this project can easily be expanded to include future products such as earthquake coverage.

88. **In-Depth Technical Assistance:** Another major factor for the success of this pilot project was Europa Re's provision of large-scale technical assistance to various governmental entities. Europa Re provided consultancy support to the MoA on agricultural insurance reform and made thorough recommendations on how to amend the *Law on Crop Insurance*, which was outdated and impractical. In December 2019, the law was finally repealed by the Parliament upon government request. Europa Re also worked closely with the NBK on regulating the high earthquake risk exposures of local insurance companies, provided a draft law on earthquake insurance, and furnished NBK with a comprehensive analysis of international best practices for catastrophe insurance.

Factors Subject to World Bank

89. **Adaptability and Flexibility:** One major factor (and success) that was subject to the World Bank was the team's ability to adapt to the changing environment. Despite being halfway through the project when the government discontinued its pursuit of compulsory catastrophe insurance, the team continued to work towards the achievement of this project's PDO by working with its implementing partner and pursuing a different insurance product.

Factors Outside the Control of Government and/or Implementing Entities

90. **Affordability:** As noted above, during project design, it was assumed that catastrophe insurance products could be made affordable through automated pricing and underwriting technologies; distributing fixed admin costs across many policyholders; and introduction of government vouchers to help pay for compulsory insurance. However, because a national, compulsory system of catastrophe insurance was not put in place by the government, large-scale demand did not materialize. For example, instead of all homeowners and SMEs being required to carry insurance, the pool of policyholders was reduced to only some agricultural producers, thereby making it impossible to spread the administrative and other costs across millions of people.

91. Moreover, because of the high probability of bad weather in Kazakhstan, the purchase price for AYII was higher than expected and deemed too expensive for Kazakhstan. Despite these challenges, the project adapted to these new circumstances and created a product that *is* affordable, is currently being sold through local insurance partners, and is enabling poorer farmers to access more credit.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

92. The project's Results Framework was prepared per Bank guidelines. The PDO indicators and targets were compatible with the government's approach. Moreover, the project had an implementing agency – Europa Re – that was highly experienced in working with the World Bank, as well as assisting countries in the development of catastrophe insurance projects. Europa Re understood the M&E that would be required to fulfill both Kazakhstan and World Bank reporting requirements.

M&E Implementation

93. Over the past four years, progress and guidance was recorded in all six of the ISRs. On a daily basis, project activities were monitored and evaluated by Europa Re as part of its project implementation mandate, with the monitoring costs absorbed by the company.

94. Europa Re produced annual technical reports about the progress of numerous technical activities. Europa RE also provided annual audited financial statements, as well as financial and management reports on a regular, timely basis, including quarterly reports.

95. Europa Re insurance and reinsurance professionals provided day-to-day oversight over the implementation of all technical activities financed under the grant by external project consultants and vendors to ensure their timely delivery to project specifications. Europa Re also opened a country project implementation office in Almaty, hired a Country Project Manager, and retained several technical experts, including an agricultural insurance actuary, a local agronomist, and an insurance legal expert to attain the high standards of project implementation.

M&E Utilization

96. Appropriate data collected from the progress reports of indicators was evaluated and used to inform decision-making on certain activities.

Justification of Overall Rating of Quality of M&E

97. The overall rating of M&E is considered 'Substantial'. M&E reports were prepared on a timely basis and the project was kept on track. When the project changed, the indicators and end targets were adjusted to reflect these changes. The implementing agency was highly effective and received satisfactory ratings from all World Bank reviews.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

98. Environmental and Social Safeguards Compliance: The project was classified under category C. It did not involve any activities that impacted environmental or social safeguards.

99. Fiduciary Compliance: The project complied with all fiduciary requirements during implementation. Internal control arrangements were put in place, and adequate financial management, procurement, and disbursement systems were maintained. Disbursement of funds were timely and by March 2020, the disbursement had reached US$4.957 million, or a little over 99 percent of the total grant. The remaining amount of $43k will be returned to the donor. The current status of project implementation by Europa Re continues to be 'Satisfactory. '

C. BANK PERFORMANCE

Quality at Entry

100. The design of this project closely took into account lessons learned from the previous World Bank catastrophe risk insurance facilities. The project also retained Europa Re, a Swiss reinsurer, to operate SEECA CRIF, ensuring that a team of seasoned reinsurance and insurance professionals would be well positioned to manage operations and develop actuarially sound pricing of innovative catastrophe insurance products, as well as establish adequate terms and conditions for catastrophe insurance products.

101. In hindsight, one project design flaw was that to a large extent the success of project implementation was dependent upon enactment of the *Law on Compulsory Catastrophe Risk Insurance,* which constituted a major political risk. However, due to the political considerations, the

Law was not passed during the project implementation timeframe. The project design should have taken this political risk more into account at the design stage. It should be noted, however, that along with earthquake risk, the project design *did* provide for a risk mitigating mechanism, which allowed for the development of insurance products that covered severe weather, which in the end enabled the project to achieve its PDO.

Quality of Supervision

102. The team maintained close contact with Europa Re's management, as well as government stakeholders throughout the project. The Bank provided support to Europa Re on performance and technical (insurance specific) matters, as well as on the status of project indicators. The project team also worked closely with the NBK and other agencies to assist the government in establishing the underpinnings for a future catastrophe insurance market. Moreover, when it became apparent that the government was not going to pass the compulsory insurance law as expected, the team quickly adapted and worked with stakeholders and Europa Re to create a new innovative product that could work within this unexpected change of events. The Bank submitted six ISRs during the project period and summarized all of the above actions/events.

103. Although the project could have been improved through increased collaboration with MoA and more policy dialogue, the project team was in close contact with the agricultural Global Practices (GP) coordinator throughout the project, both at the local and national level. The agricultural coordinator, (who was also the GP regional coordinator) also attended all working meetings, was included in every mission, and was well appraised of project goals, challenges and progress made.

Justification of Overall Rating of Bank Performance

104. The overall rating for bank performance is 'Satisfactory.'

D. RISK TO DEVELOPMENT OUTCOME

105. It is probable that the outcomes of this project will be maintained in the future. The AYII credit risk default insurance product that was developed under this project, is currently being sold via a local insurance company to seven credit unions. Sales are expected to increase over the next few years, thus making lenders more financially resilient and more willing to provide credit to farmers who may not have the required collateral.

106. It is also expected that outcomes will be maintained because the implementing partner, Europa Re, will continue to provide its sales and claims system to insurance partners in Kazakhstan. And because Europa Re is an established, sound entity, governed by rigorous FINMA regulations, there is no concern that Europa Re will falter.

107. One risk that could potentially weaken the project's outcome is if ACC does not promote the AYII Credit Risk Default Product to participating credit unions or if participating credit unions do not promote the product to their farmers. To successfully sell this product, all participants need to be aware of the product and its benefits.

108. Another risk lies in the consequences of the current economic crisis and how the government will react to it in terms of support measures to farmers, which may include several levels of subsidization and use of non-market instruments which could jeopardize the market-based insurance products for agriculture, including that developed under the project.

109. In terms of sustainability, this project is sustainable on multiple levels. First, this project has created an agricultural catastrophe insurance infrastructure that enables local companies to further develop an agricultural risk insurance market and thus make Kazakhstan more financially resilient. This pilot project also offers a stable jumping off point for future catastrophe risk insurance products.

110. At this time, the government has all the tools needed to expand the offering and penetration of voluntary agricultural catastrophe insurance products to replace the now defunct government crop insurance scheme. The government also has all of the necessary information and technical tools for the launch of a national compulsory catastrophe insurance scheme to include a draft *Compulsory Catastrophe Insurance Law* and underlying insurance regulations, as well as actuarially computed premium rates for the earthquake insurance product.

111. The team recommends that the government establishes a national catastrophe insurance program by passing the *Law on Compulsory Catastrophe Insurance* and moving forward with the voucher scheme for the socially vulnerable. The team also recommends putting in place a set of comprehensive guidelines on the eligibility requirements for the government insurance premium subsidy that would establish a level playing field for all insurers and make agricultural insurance more transparent, efficient, and beneficial for policyholders.

V. LESSONS AND RECOMMENDATIONS

112. First, as with all CRIF programs, the number one lesson is that a strong, properly functioning, private catastrophe insurance market is crucial for ensuring the financial resilience of a country to natural disasters. This is particularly the case for Kazakhstan that faces both a harsh climate, elevated earthquake risk, and an uncertain economy. The country needs to be able to mitigate catastrophic consequences by transferring financial risk to the private risk markets.

113. Another significant lesson learned is not to rely on a government's proposed intentions or plans but rather embark on a catastrophic insurance program *after* the government has mandated compulsory catastrophe insurance. Of course, it is also important to note that once compulsory catastrophe insurance has been legislated, it will require a few years to build the infrastructure to support the legal framework. However, if compulsory catastrophe insurance is legislated *prior* to initiating a new catastrophe insurance market project, the overall project will have a greater chance of growing deep roots and will be able to provide a more comprehensive suite of products.

114. Third, for catastrophe insurance to reach a high level of insurance penetration, it needs to be made compulsory or it needs to be bundled with something that people want, like loans or subsidies. If bundled with a loan, catastrophe insurance becomes a part of the production costs for the insured. For insurance to be accepted by the borrower, insurance coverage must be imbedded into a lender's

underwriting process. Hence, catastrophe insurance needs to become an integral part of the lending process.

115. Fourth, innovation is important when developing catastrophe insurance products. Even if a product has been deemed impractical, there may still be a practical use for it. For example, when AYII was no longer an option for farmers, by modifying the AYII with a loan default trigger, the product became viable for lenders and their borrowers.

116. Lastly, another major lesson learned is that having a professionally managed reinsurance company like Europa RE is necessary for implementing technically complex, donor-funded catastrophe insurance projects. By using an implementing agency that already has developed expertise in developing catastrophe insurance markets, all stakeholders can share in the agency's technical experience and reinsurance capacity at minimum cost.

117. Overall, for any catastrophe insurance project, it is important not to underestimate the need for a strong, political champion. Small pilot insurance projects have limited prospects of success without the backing of the government and especially require an internal champion to move it forward.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: Assist Kazakhstan with developing a modern catastrophe insurance market infrastructure

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Insurance market infrastructure made available for use to local insurance companies in support of catastrophe risk insurance products. (Number)	Number	0.00 21-Apr-2016	1.00 01-Oct-2019		1.00 01-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved. The indicator measures the achievement by examining the availability and operation of a web-based insurance sales portal for online sales of innovative insurance products.

Objective/Outcome: Consumers are more aware of disaster risks and the mitigating role of insurance

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
CatMonitor - a web-based disaster risk information tool for homeowners is launched	Yes/No	N 21-Apr-2016	Y 01-Oct-2019		Y 01-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Objective/Outcome: TA is provided to government/NBK in developing enabling insurance regulatory framework for cat risk

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Completion of TA	Yes/No	N 01-Dec-2015	Y 24-Jul-2018		Y 24-Jul-2018

Comments (achievements against targets):
This indicator was fully achieved.

A.2 Intermediate Results Indicators

Component: Funding of technical assistance to expand SEE CRIF program to Kazakhstan.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Catastrophe risk insurance products are offered online.(Yes/No)	Yes/No	N 21-Apr-2016	Y 01-Oct-2019		Y 01-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Online claims management system is launched.(Yes/No)	Yes/No	N 21-Apr-2016	Y 20-Mar-2019		Y 20-Mar-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised	Actual Achieved at

				Target	Completion
Insurance premium of basic catastrophe insurance products are affordable for a good risk consumer.	Percentage	7.00 21-Apr-2016	2.00 30-Sep-2019		2.00 30-Sep-2019

Comments (achievements against targets):
This indicator was fully achieved. The indicator measures the insurance premium rate paid by the consumer. The project managed to considerably increase the affordability of premium rates by introducing a second payment trigger. This resulted in the reduction of the insurance rate from 7 to 2 percent of sum insured (on average).

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Online automated sales, underwriting and pricing system is launched.(Yes/No)	Yes/No	N 21-Apr-2016	Y 01-Oct-2019		Y 01-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Cat risk insurance products developed under the project are available through local insurance industry in Kazakhstan.(Yes/No)	Yes/No	N 21-Apr-2016	Y 01-Oct-2019		Y 01-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number and type of new cat risk insurance products developed. (Number)	Number	0.00 21-Apr-2016	2.00 01-Oct-2019		2.00 01-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Insurance agents in the	Yes/No	N	Y		Y

market offer catastrophe risk insurance developed under SECA CRIF project.		21-Apr-2016	01-Oct-2019		01-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of women insured against natural disasters as % of total insured.(Percentage)	Percentage	0.00 21-Apr-2016	50.00 02-Oct-2019		50.00 02-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Appropriate legislation and risk-based regulatory framework for catastrophe risk products is	Yes/No	N 21-Apr-2016	Y 01-Oct-2019		Y 01-Oct-2019

developed.(Yes/No)					

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of insurance companies selling catastrophe insurance products through insurance market infrastructure developed under the project.(Number)	Number	0.00 21-Apr-2016	1.00 02-Oct-2019		1.00 02-Oct-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
CatMonitor custom-tailored	Yes/No	N	Y		Y

for Kazakhstan is made available online and regularly maintained.(Yes/No)		21-Apr-2016	30-Sep-2019		30-Sep-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Actuarial and probabilistic risk models in support of product pricing have been developed.(Yes/No)	Yes/No	N 21-Apr-2016	Y 30-Sep-2019		Y 30-Sep-2019

Comments (achievements against targets):
This indicator was fully achieved.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Demand boosting measures have been carried out as a result of technical assistance	Yes/No	N 21-Apr-2016	Y 30-Sep-2019		Y 30-Sep-2019

provided to government/insurance regulator under the project. (Number)					

Comments (achievements against targets):
This indicator was fully achieved.

B. KEY OUTPUTS BY COMPONENT

Objective/Outcome 1: Assist Kazakhstan with developing a modern catastrophe insurance market infrastructure.	
Outcome Indicators	1. Insurance market infrastructure made available for use to local insurance companies in support of catastrophe risk insurance products.
Intermediate Results Indicators	1. Number of insurance companies that are using the insurance market infrastructure developed under the project in support of voluntary and compulsory climate risk insurance products. (Number) 2. Catastrophe risk insurance products are offered online. (Yes/No) 3. Online claims management system is launched in support of insurance companies participating in the project. (Yes/No) 4. Insurance premium of basic catastrophe insurance products are affordable for a good risk consumer. (Percentage, Custom) 5. Online automated sales, underwriting and pricing system is launched. (Yes/No) 6. Cat risk insurance products developed under the project are available through local insurance industry in Kazakhstan. (Yes/No) 7. Number and type of new cat risk insurance products developed. (Number) 8. Insurance agents in the market offering catastrophe risk insurance. (Yes/No, Custom) 9. Number of women in households insured against natural disasters as percent of total insured. (Percentage) 10. Actuarial and probabilistic risk models in support of product pricing have been developed. (Yes/No)
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	1. An increase in number of insurance companies that use the project's insurance infrastructure. 2. An increase in number and type of new cat risk insurance products developed.

	3. Insurance premium of basic catastrophe insurance products is within the reach of even the poorest segment of population. 4. Catastrophe risk insurance products are offered online. 5. Affordable CatRisk products are now available to farmers. 6. Mainstreamed process for sales and submission of claims.
Objective/Outcome 2: Consumers are more aware of disaster risks and the mitigating role of insurance.	
Outcome Indicators	1. CatMonitor - a web-based disaster risk information tool for homeowners is launched.
Intermediate Results Indicators	1. Consumers are more aware of disaster risks and the mitigating role of insurance. CatMonitor custom-tailored for Kazakhstan is launched. (Yes/No) 2. CatMonitor custom-tailored for Kazakhstan is made available online and regularly maintained. (Yes/No) (Yes/No, Custom) 3. Demand boosting measures, including introduction of compulsory catrisk insurance scheme and public education campaigns on TV/radio/social media and press on the benefits of catastrophe insurance have been carried out as a result of technical assistance provided to government/insurance regulator under the project. (Number, Yes/No, Custom)
Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	1. Consumers and government have greater awareness of hazards. 2. Consumers can make choices on how to mitigate risk.
Objective/Outcome 3: TA is provided to government/NBK in developing enabling insurance regulatory framework for cat risk.	
Outcome Indicators	1. Completion of TA.
Intermediate Results Indicators	1. TA is provided to government/NBK in developing enabling insurance regulatory framework for cat risk. 2. Appropriate legislation and risk-based regulatory framework for catastrophe risk products is developed. (Yes/No)

Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	1. Government has greater awareness on how to ensure financial resiliency against hazard risk. 2. Appropriate legislation and risk-based regulatory framework for catastrophe risk products are developed.

118. As seen in the table above, this project had multiple key outputs. First, it was envisioned that this project would increase the number of insurance companies that use the project's insurance infrastructure. This output was successfully attained. At project implementation, there were no companies that used the project's insurance infrastructure. At the project's end date, there is now one company, OIC, that uses EReagro and sells the AYII Credit Risk Default Product.

119. Second, it was anticipated that this project would develop a greater awareness of hazards by consumers and the government, which would assist consumers in making choices on how to mitigate risk. At project implementation, there was no consolidated public database of hazard risk. At the project's end date, CatMonitor has been made publicly available online for consumers, allowing them to make appropriate choices to mitigate risk.

120. Third, it was envisioned that this project would result in the government's greater awareness on how to ensure financial resiliency against hazard risk. It was also expected that this project would fully develop a legislative and regulatory framework for catastrophe risk products. At the beginning of this project, there was no framework for catastrophe risk insurance products. At project completion, after years of technical assistance, the government is fully aware of its financial resiliency against catastrophic risk. Moreover, it has a full legislative and regulatory framework for catastrophe risk products (if and when it decides to implement it); a legislative and regulatory framework for its current weather-risk product, AYII Credit Risk Default; and an in-depth understanding on why the previous mandatory agricultural insurance scheme did not work, as well as how to develop a successful catastrophe agricultural insurance program for the future.

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Eugene N. Gurenko	Task Team Leader(s)
Kashmira Hoshang Daruwalla	Procurement Specialist(s)
Galina Alagardova	Financial Management Specialist
Agnes I. Kiss	Safeguards Advisor/ESSA
Lisa Lui	Counsel
Jasna Mestnik	Team Member
Rakhymzhan Assangaziyev	Team Member
Sonja Ingrid Nieuwejaar	Team Member
Supervision/ICR	
Eugene N. Gurenko	Task Team Leader(s)
Elena Corman	Procurement Specialist(s)
Arman Vatyan	Financial Management Specialist
Lisa Lui	Counsel
Mohammad Ilyas Butt	Procurement Team
Ruxandra Maria Floroiu	Environmental Specialist
Satoshi Ishihara	Social Specialist
Jasna Mestnik	Team Member
Rakhymzhan Assangaziyev	Team Member
Rustam Arstanov	Team Member
Yelena Yakovleva	Team Member
Valeriya Marufi	Procurement Team

Manjola Malo	Procurement Team

B. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY16	.050	106.54
Total	**0.05**	**106.54**
Supervision/ICR		
FY17	4.675	109,246.89
FY18	2.900	95,980.33
FY19	1.875	83,578.88
FY20	.225	100,933.30
Total	**9.68**	**389,739.40**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US$M)	Actual at Project Closing (US$M)	Percentage of Approval (US$M)
Funding of technical assistance to expand SEE CRIF program to Kazakhstan.	0	5.00	0
Total	**0.00**	**5.00**	**0.00**

ANNEX 4. EFFICIENCY ANALYSIS

121. This project had one component – the funding of technical assistance to expand the SEE CRIF program to Kazakhstan. Within this component, there were five sub-components: general technical; actuarial services; claims services; agriculture insurance services; IT services; and public relations and marketing services.

122. Efficiency was rated 'substantial' because costs of both the implementing agency, as well as specialized contracting services, were kept low. To carry out the five sub-components, the Bank retained Europa Re as the implementing agency, which has proved to be a highly effective and efficient partner. For this grant, only 10 percent went towards Europa Re's administrative costs (a cost that typically runs between 25-30 percent). Europa Re was able to keep the costs low by building upon the foundation of SEE CRIF, an ongoing catastrophe insurance program, and using SEE CRIF's pool of technical expertise. Costs were also kept low because all specialized contracted services were proactively managed by Europa Re.

123. The other 90 percent of the grant proceeds was used to build the entire catastrophe insurance market infrastructure from scratch. Europa Re built the modeling; developed the actuarial risk models; worked with the insurance regulator to ensure appropriate regulatory and legal framework; crafted the web-based, automated policy underwriting and pricing schemes; developed the system for sales administration; developed the IT systems; found and educated local insurance and bank partners on products; and entered into reinsurance agreements.

124. Europa Re built a catastrophe insurance infrastructure in Kazakhstan, while also ensuring that the company complied with Swiss regulations. Throughout this project, Europa Re continued to maintain high technical standards. Based on EU Solvency II specifications, Europa Re's 2019 risk-based solvency ratio of 241 percent confirms a low probability of default (0.01 percent) at the level of reinsurers with investment grade.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

ANNEX 6. SUPPORTING DOCUMENTS (IF ANY)

1. *Project Appraisal Document, Report No. PAD1703*, dated April 8, 2016.
2. Implementation Status and Results Reports: November 2016 through October 2019.
3. *Terms of Reference for Technical Assistance under the SEECA CRIF Grant Program in Kazakhstan for 2017-19 Period*, to provide consultancy support to the MoA in developing agricultural insurance reform and drafting new legislation for agricultural insurance.
4. *Survey Report Earthquake Insurance Risk Review*, dated May 28, 2018, and the subsequent draft *Risk Based Supervision of Earthquake Insurance Simplified Draft Model Regulation.*