

Terms of Reference

Namibia

Scoping Study

“Insurance based approach against wildlife damages in conservancies”

1. Background

1.1 Community-based Natural Resource Management in Namibia

Community-based Natural Resource Management (CBNRM) has been practiced in Namibia for more than three decades and formed the foundation for the creation of Communal Conservancies. There are now 82 registered communal conservancies, plus one association covering an area of approximately 20% of Namibia (over 50 % of all communal land), with an estimated 195,258 residents or 8 percent of Namibia’s population. During 2016, Communal Conservancies generated over NAD 111 million (Euro 7.4 million) in returns for local communities, and the programme catalyzed the creation of 5,147 jobs. The programme focusses on benefit generation and creating opportunities for livelihoods for the poorest population in the country and therefore contributes to poverty reduction. However, the required long term financial and technical support for CBNRM exceeds by far the current available funding from government and other sources. Hence, to assure the sustainability of the programme, it is imperative to further improve the capacities of local communities to manage and derive economic benefit from their natural resources. Furthermore, because of successful conservation efforts an increase **of Human-Wildlife-Conflict (HWC)** was recorded over the last years. Therefore, support for the CBNRM approach is eroding, particularly where poor farmers are affected, and in Conservancies where HWC costs are exceeding revenues and other benefits obtained from CBNRM. To ensure independence from donor funds and the longevity of the CBNRM programme, the Ministry of Environment and Tourism, WWF and partners registered in 2017 the Community Conservation Fund of Namibia (CCFN) as a non-profit Association incorporated under Section 21 of the Companies Act, 2004. The Funds’ purpose is to promote sustainable development of communal conservancies, community forests and related natural resource management entities with a similar legal mandate to conserve, protect and improve the natural environment and biodiversity, and to relive poverty and improve livelihood benefits to members. The first focal area is to provide value to the wildlife and people of Namibia by support services; human-wildlife conflict management (HWCM) and payment for ecosystem services program (PES).

1.2 German Financial contribution and FS

In the Government Negotiation in September 2017, KfW and the Government of the Republic of Namibia (GRN) and the follow-up Mission in October/ November 2017 agreed that a Euro 5 Million grant be allocated to ensure the sustainability of the CBNRM programme. The German Contribution will be allocated as a sinking investment window in the recently created Community Conservation Fund Namibia (CCFN) to enhance the efficiency of the trust fund and its visibility and potentially to attract other funding opportunities, provided the CCFN will develop its capability quickly to manage such a fund window.

1.3 Feasibility study on poverty oriented community conservation in Namibia

From January 21 to February 03, 2018 KfW fielded a Feasibility Study Mission in Namibia. The Mission concluded that the current way the CCFN is designed and the road map for its further development makes it the appropriate Project Executing agency (PEA) to manage the German Financial Contribution as sinking trust fund.

Major preliminary findings and recommendations were agreed in the wrap up meeting with MET and other key project stakeholders on February 2, 2018.

The Mission tasks included analyzing the potential of the fund to be applicable for insurance schemes regarding HWC. The ToRs of the Mission only required a preliminary assessment to be performed in the context of the study. If proven promising a separate dedicated mission on the design of an insurance-based approach could be recommended (and draft ToRs for such a study drafted). The Mission recommended that an insurance-based approach for wildlife damage seems promising and therefore should be further investigated. This was also a strong request from the MET.

The following summarizes the synopsis of problem analysis, project design and insurance issues. The draft final report will be ready by March 1. 2018.

1.3.1 Summary of project analysis and project design

Problem synopsis and core problem to be addressed: With the success of conservancies in wildlife conservation the social and economic burden of living with wildlife has increased and cost and benefits are not equally distributed among conservancies and within the conservancies and groups of people whose livelihood is affected by HWC hot spots. Recurrent drought worsens the conflict between people, livestock and wildlife over scarce natural resources, and climate change models have projected worsening drought scenarios in Namibia. The public and political perception of the intensity of the HWC has increased with many having concerns that not enough is being done to assist communities in sharing the burden of living with wildlife; while in many conservancies despite stable or increased wildlife populations, the intensity of HWC has remained reasonably stable. The current off-set payments through the Human Wildlife Self-reliance scheme (HWSRS) are clearly insufficient, as they only partially cover the value of the losses. Whilst every effort should be made to avoid the losses in the first place, mechanisms are needed to provide increased levels of relief/off-set payments or other compensatory benefits for those who still incur losses.

Yet continuation of payments is currently unsustainable; the expected increase of the offsetting payments due to the new HWC policy will make this worse. Landscape and conservancy HWC management plans for problematic species are outdated or not available; with new information on hot-spots and mitigation measures not being used or integrated.

All resulting in escalating socio and economic costs for people's livelihoods, support agencies and government which, if not addressed, will threaten the viability of what has become an extremely successful conservation and rural empowerment programme.

Project design: The Module (Project) objective is enhancement and sustaining human wildlife safety management in conservation performance. This will be achieved through the following four Project results (outputs):

- Result 1. Improvement of HWC management planning, monitoring and communication and use of monitoring results for decision making onsite and for HWC risk management schemes

- Result 2: Improvement of human wildlife safety management and wildlife conservation performance measures in targeted landscapes
- Result 3: Efficient and sustainable financing mechanism for human and wildlife safety management and conservation performance in conservancies are ready for upscaling
- Result 4: Strengthening capacity of key project stakeholders in HWC risk management and wildlife performance measures in targeted landscapes

The proposed study on assessing an insurance based approach to HWC risk management is mainly linked to Results 2 and 3. As an example, one output might be the development of an insurance based approach/ solidarity fund which would optimize the actual scheme regarding the disbursement modalities for claims in case of a wildlife incident (sufficient relief payments, incentives for the establishment of risk mitigation measures, claim settlement/ verification systems, etc.) and augmented with a reinsurance component.

The Project Executing Agency will be the Community Conservation Fund of Namibia (CCFN). Several service providers such as NGOs will serve as Project Implementation Agencies. The overall project duration is 4 years (scheduled 2019-2022).

1.4 Insurance-based approach against wildlife related losses and damages

The review of an insurance based approach related to wildlife damage demonstrates that there are very limited examples worldwide. A few - mainly voluntary self-help wildlife damage insurance schemes - could be identified. The private game damage insurance is not yet really developed in Africa. Although the experience with micro-insurance, especially climate risk insurance in development cooperation, is growing very fast, no study has been found which analyses the linkage between the change of climatic patterns and an increase of HWC.

The key preliminary findings are:

Insurance sector: In Namibia the micro-insurance sector is not well developed (insurance penetration, i.e. total premium/ GDP is 0.14 %; compared to the average of 3.5% in Africa¹). The Mission assumes that there would be scope for making financial insurance services accessible at affordable costs for: (i) life and injury for all residents in communal lands; (ii) cattle and crops in conservancies, and (iii) maybe to consider outside conservancies cover for mass livestock losses.

The Ministry of Environment and Tourism (MET) of Namibia provides financial offsets for losses through the Human Wildlife Self Reliance Scheme (HWSRS) which are expected to be topped up by conservancies. The original scheme was designed the other way round, i.e. the conservancy did the offsetting and MET provided match funding of the offset by a defined amount for livestock, crops, and funeral.

Between 2013 and 2016 there were on average 10 people killed and five injured by wildlife per annum in communal land. Around 200,000 people are members of 83 conservancy entities² with well-established institutional set-ups, which could potentially collectively negotiate with the industry sector for a wildlife damage insurance scheme. Conservancies already have game guards in place who have for many years recorded HWC incidences in the event book (verified in annual audit by a committee), and,

¹ http://www.microinsurancenet.org/sites/default/files/Namibia_Country%20Profile.pdf

² 82 conservancies plus an association

more specifically, a system for recording damage claims under the Human Wildlife Conflict Self Reliance Scheme. This last system could assist with the initial verification of damage, with further verification by a third party auditing. It will be important to distinguish between incidences and actual losses.

- 1 The Mission was unable to find an example of any existing **wildlife damage insurance scheme in Namibia**, possibly due to an assumption that it will be too expensive. One proposal made at a brain storming meeting in Namibia proposed that to achieve the necessary funding, sustainability, and scale, as well as conservation impact, insurance should be combined with a Conservation and Wildlife Rewards Fund and the Poverty to Prosperity Plan (Stephen Wormald, 2017). A few insurance related agencies such as Cardno Development have also been approached to explore options (see Discussion note with WWF Namibia).
- 2 The **new HWC management policy** of Namibia (not yet approved) calls for testing innovative wildlife damage insurance and linking HWC management with disaster management and reduction. The assessment process can be a contentious one, and it would be beneficial to MET to have this done by an independent, impartial and professional body, to keep the process at arm-length from Government..
- 3 The **legal framework** as to who (if anybody) must pay for wildlife damage from wildlife in conservancies is still a grey legal area in Namibia, and it is not like in other countries where the hunting concessionaire has to offset the wildlife damage claims to crops and livestock.
- 4 The **Human Wildlife Conflict Self Reliance Scheme** (HWCSRS) is currently treated as a government support, initiated with a payment of NAD 60,000 to each conservancy. The policy and mechanism for reporting of claimable incidents, the verification process and a review panel are already in place and any new insurance scheme could potentially build on this mechanism.
- 5 **Perils:** The following perils will need further investigation: wildlife damage cum climate change /drought insurance for farmers; life, injury and mass loss of livestock (and possibly also crops).
- 6 **Data base on HWC.** There is an extensive conservancy data base and some special studies which could be mined, collated and interpreted by risk management specialists. The event book, managed by the conservancy game guards, whilst recording incidents does not include specific information on losses and their value. Hence it is not a good basis to build an insurance scheme. The Conservancy Compliance Monitoring System for MET - currently developed with support of GIZ and expected to be operational very soon, will digitalize the whole claim procedure and documentation and as such could become an important element to channel public sector contribution to an insurance system.
- 7 **Sustained public-sector contribution to premium:** Key project stakeholders underlined that if there is no solution for cost-sharing the insurance premium, the government of Namibia might not be able to absorb the premium costs in the long-run. Mechanisms to cost-share with government for the premium might include CCFN (planned endowment fund in the long run): minimum, co-funding on top of government (from a major GEF intervention, to the GPTF, the Namibian Environmental Investment Fund (EIF), the AfDB), and/or payments for ecosystem services such as the wildlife credits scheme.
- 8 The Mission identified the following **insurance based approaches**: which should be further assessed as major references in developing an insurance-based project component:
 - **Climate risk insurance** - Livestock index insurance in countries like Kenya against drought: index based rangeland condition using available to be used in Namibia and common in other counties;

- **Community self-help insurance scheme:** The snow leopard self-help scheme in Nepal with voluntary payment of a premium among community members and contribution of NGOs is one successful model;
- **Crop Depredations Insurance** of Saskatchewan Crop Insurance Corporation in the USA is one of the oldest and most successful schemes (1953) combining loss claims and with incentive claims for prevention and mitigation. Payments beyond those covered by the 2-percent premiums are covered by a surcharge on each hunting license sold in the province. <http://www.saskcropinsurance.com/>
- **Crop insurance covering also the peril from elephant damage** to crops of the National Insurance Trust Fund (NITF) of Sri Lanka; KfW support the NITF - farmers receiving a subsidized fertilizer in an irrigation scheme must pay a compulsory premium in this scheme (<http://www.nitf.lk/ENGLISH/CropInsurance.html>);
- **Game damage compensation fund** (Wildschadenausgleichskasse) in the Federal State of Mecklenburg-Vorpommern, Germany: All hunting leasers must pay a premium into the fund which is managed by a lean game compensation office. In case of a crop damage or damage of grassland by deer and wild boars, the claims are paid by the compensation fund. The hunting leaser must contribute with 10% of the damage.
- **Game insurance** Example for game insurance for commercial game farmers in Southern Africa including Namibia with small scope of insurance cover and exclusions of death due to poaching, and predation see <https://www.santam.co.za/products/agriculture/game-risk>.
- **Hunter insurance:** In Germany a civil liability insurance for hunting (500.000 EUR for personal injury and 51.129,20 EUR for material damage) is a prerequisite to obtain a hunting license. A general hunting accident insurance is recommended.
- **Car insurance** covering wildlife damage are common in many countries.
- **Life insurance and injury** covering also wildlife damage have not been assessed by the Mission.

2. TORs

The **objective of the study** is to improve the actual scheme of off-set payments due to wildlife incidents in a sustainable and adequate manner. The existing system as well as the HWC database should be explored before developing a proposal for a concrete, sustainable and cost-efficient mechanism/ insurance based approach (including the respective organizational setup) in order to finance damages/losses due to wildlife incidents, adequately. Although focus area is restricted to registered communal conservancies in Namibia, insurance linked options for human life and injury should include communal land outside conservancies. This proposal and respective recommendations shall serve as the basis for the decision of KfW whether or not such a project measure will be executed and implemented.

Task 1: Demand and needs assessment for an improvement of existing off-set payments through the Human Wildlife Self-reliance scheme (HWSRS)

- Assess the legal framework of wildlife ownership, usufructuary rights and responsibilities to compensate or offset for damages/losses due to wildlife in Namibia;
- Assess existing and planned HWC prevention and mitigation measures;

- Analyze the actual relief payment/ off-set mechanism for losses due to wildlife incidents payed out of the Game Product Trust Fund as well as respective limitations;
- Analyze the financial gap of the Game Product Trust Fund due to relief costs with respect to wildlife incidents;
- Assess the financial gap/ insufficiency of the actual off-set amounts provided by the Game Products Trust Fund to the different conservancies and their members;
- Assess the need and demand for additional financing mechanism at the Government level/Game Product Trust Fund as well as on the level of conservancies and their members.
- Assess the Human Wildlife Conflict Self Reliance Scheme (HWCSRS) of the conservancies: its original objective, current practice and scope of amendment of the scheme from an insurance perspective; and willingness to pay offset or insurance premium.

Task 2: Preparation of consolidated (risk) information database on HWC

The Consultant shall examine the existing database on HWC which will serve as a basis for improving the actual scheme. On the basis of the recommendations of the consultant, KfW will determine country priority regions, conservancies and loss types (e.g. life, livestock, crops, injury) for the analysis (if necessary).

The examination of the existing HWC database shall include the following:

- Assess the availability of data that can be used to improve the actual scheme /for insurance purposes for wildlife risk assessment in terms of history, data quality and continuity;
- Historical overview of country's wildlife risks and damage data / loss of lives linked to different, (sub-)sectors (esp. crops, livestock, infrastructure) and species (lions, elephants etc.), and conservancies;
- Historical overview and detailed assessment of relief costs due to wildlife incidents paid out of the Game Product Trust Fund to the different conservancies;
- Analyze the impact of risk mitigation and prevention measurements on losses/damages due to wildlife incidents in terms of probability and amount in relation to their costs;
- Analyze measures (existing and new) in order to assess and verify claims regarding their efficiency (e.g. satellite technologies)
- Assessment of country's (weather) risks linked to wildlife conflict incidents and if possible to the different conservancies.
- Undertake a rough exemplary risk analysis of representative individual conservancies (low-risk, medium-risk, and high-risk regions and conservancies) and cluster of conservancies to determine relative degrees of risk based upon number of HWC incidents, types of incidents, and costs of such incidents
- Make a rough estimation of the level of payments needed to cover (i) national human death loss/injury within the targeted regions and conservancies; (ii) livestock losses of conservancies; (iii) livestock losses outside of communal conservancies if such estimates can be provided given the dearth of data in these areas.
- Make proposal how payments/premium costs might be reduced by: (i) Putting in place HWC livestock mitigation schemes (e.g. Management plans, hardening of kraals, herding, etc.); (ii) Reducing the claim payments for livestock to alternative levels below full cost recovery (e.g. 25%, 50%, 75%, other); (iii) Increasing matching payments by conservancies towards claim

payments for lost livestock; and other options that might arise for both human deaths/injuries and livestock losses.

Milestone: The Consultant shall provide a table giving a historical overall overview of main characteristics of wildlife incidents: ranked according to species risks; regions/ conservancies and sectors (e.g. yield, life, etc.), type of incident, existence of prevention/mitigation measures in the respective region; loss/damage amount; off-set amount; wildlife species (by considering the existing data base);

Task 3: Insurance market analysis

- Overview of existing insurance products covering wildlife losses/damages (table giving an overview of main characteristics: risks covered, product characteristics and their advantages/disadvantages (e.g. efficiency in terms of duration between the announcement of claims and payout);
- Analyzing the feasibility of adjusting existing insurance products (life, crop, etc.) in order to cover wildlife incidents on a micro-level;
- Assessment of the interest of insurance companies to provide such (adjusted) insurance products covering wildlife losses/damages;
- Identification of possible hurdles in launching/expanding insurance products covering wildlife risks (view of insurance sector);
- Assessment of the interest of companies in the insurance sector (i.e. international insurance and reinsurance companies) in offering additional cover to augment off-set payments in case of extreme events related to wildlife risks (e.g. drought);

Task 4: Recommendations and a concrete proposal how the existing off-set payment system could be improved in a sustainable manner incl. respective setup and a potential new payment structure

Based on the outcomes of Task 1-3 the consultant shall give reasoned recommendations how existing off-set payments could be improved and elaborate a respective sustainable and feasible new relief and premium payment structure. Furthermore the consultant shall provide an indication regarding the feasibility to augment relief /off-set payments with reinsurance and/or additional micro insurance products (covering wildlife related losses).

The recommendations and the proposal shall consider following aspects:

- Feasibility to establish/ integrate an incentive scheme for prevention measures with regard to a reduction in (insurance) payments/ payments of contribution;
- Feasibility of a reinsurance component covering extreme events related to wildlife losses/incidents (e.g. drought)
- Availability of additional (external) funding (from other Donors, government, etc.);
- Mandatory versus voluntary insurance/participation in a solidarity compensation fund scheme;
- Feasibility of additional (micro) insurance products covering wildlife related losses;
- Organizational, technical and operational systems to assess and monitor claims due to wildlife incidents (e.g. satellite technologies, partnerships with mobile network operators, etc.);

Deliverable

At the end of the study the consultant shall provide a proposal for an optimized off-set payment scheme including organizational setup, terms and conditions for a concrete and cost-efficient mechanism/

insurance approach financing damages/losses due to wildlife incidents. This proposal and respective recommendations shall serve as basis for the decision of KfW whether or not such a project measure will be executed.

3. Timeframe and Reporting

This consultancy is expected to be mobilized in March 2018 and the study completed by May 15, 2018.

4. Required qualifications and experience

The consultant/ consortium need to demonstrate the following level of experience and qualifications:

- Experience within the insurance and/or reinsurance sector and relevant products (i.e. crop/yield, life, livestock, weather risk and game);
- A good network consisting of international brokers, insurance and reinsurance companies;
- Knowledge of insurance product development (processes) and the respective required framework (database, infrastructure, etc.);
- A high level of experience with and knowledge of CBNRM Policy and Guidelines for Management of Conservancies and Standard Operating Procedures and HWC in Namibia;
- Outstanding knowledge of wildlife conservation in Namibia and Southern Africa;
- Experience in quantitative research, data and risk analyses;
- Strong quantitative analytical skills and experience in performing independent critical financial analyses;
- Experience in conducting capacity development measures;
- Relevant work experience in emerging and/or developing countries (preferably in Namibia);
- The proposed staff should represent an effective mix of international and Namibian expertise in the field of insurance, data and risk analyses as well as in HWC in Namibia;
- The lead experts should have a Master's Degree and minimum of 7 years of relevant work experience (actuarial knowledge is highly appreciated). The cooperation with a research specialist and a data analyst is highly appreciated.