

ROUND 3
JANUARY 2009

INNOVATION GRANT APPLICATION GUIDELINES

Launched in 2008, the ILO's Microinsurance Innovation Facility has provided 20 grants to insurance companies, cooperatives, non-governmental organizations (NGOs) and other microinsurance providers that are adopting innovative approaches to address one or more of the following three key issues:

- 1. High-impact products.** The Facility encourages the development of high-impact products for low-income persons that are more affordable with greater coverage to serve a wider range of risks. This notion of "product" is broader than just the price, benefits and terms; it includes the processes involved in managing the product, including policy and claims administration.
- 2. Efficient and scalable models.** The institutional options for providing microinsurance all have some limitations. The Facility supports new models and encourages partnerships that leverage strengths and overcome shortcomings of the present options. We seek efficient institutional models that provide relevant and affordable coverage to large numbers of low-income people, while finding an appropriate balance between the interests of policyholders, delivery channels, administrators and risk carriers.
- 3. Effective consumer education.** Few providers have effectively educated the target market about the benefits of microinsurance. The Facility is keen to support innovations that help the poor to understand how insurance works and under what circumstances it is an appropriate risk management tool, so they are able to make informed choices. We want to make insurance more accessible to the poor – not just physically and economically, but also intellectually.

So far, the Facility has received more than 200 grant applications, including many excellent applications that we were unable to fund. Applications were well received if they:

- a) proposed to do something new;
- b) provided evidence that their innovation would benefit low-income policyholders; and
- c) included a financial model to illustrate key assumptions regarding the performance of the innovation and the timing to achieve sustainability.

WHAT IS INNOVATION?

Innovation involves taking risks, venturing into uncharted territory in the hope of creating something better. To that end, we want to support new ideas and approaches that improve microinsurance products, institutional models or consumer education methods.

ROUND 3
JANUARY 2009

WHAT IS NEW FOR ROUND 3?

The Facility's primary objective is to learn: to learn how to provide better insurance coverage to more low-income people; to learn how to develop an insurance culture among the poor; and to understand the extent to which the working poor can benefit from insurance as a risk management tool while still ensuring the viability of the provider.

To achieve this learning objective, the Facility will support activities that challenge the conventional wisdom. The innovation grants could be seen as **action research**, dynamic initiatives done on an experimental basis – for example, undertaken with some clients, but not with others – to assess their effectiveness or impact. For more details about the Facility's research strategy, see the Research page at www.ilo.org/microinsurance

Although we will accept any application that meets our criteria, in Round 3 we have two areas of emphasis: small grants and consumer education.

➤ Small grants

In this round we hope to provide four to eight small grants, under \$100,000. These grants could be used to help organizations start microinsurance activities, for example developing business strategies or feasibility studies. They could also be used by existing microinsurers to test more targeted innovations that do not require significant investments.

To apply for a small grant, applicants will fill out a shortened application form and they will not be required to include a financial model (Annex 4).

➤ Consumer education

We are keen to support three to five initiatives that help low-income persons make informed choices regarding risk management tools, including insurance. Since education is essentially a public good, and there are likely to be incentive conflicts between sales and education, we are particularly interested to receive applications from (micro)insurance associations, supervisors and community organizations on this issue, instead of from microinsurance providers themselves. We welcome applications that experiment with a range of education strategies, and have a plan for ongoing sustainability since education activities need to be continued over many years to have a significant impact.

We also welcome interventions to support consumer protection under this theme. For example, we are interested in efforts to increase transparency regarding the pricing and benefits, or to create dispute resolution mechanisms to accommodate low-income policyholders, in the event of mis-selling or claims disputes.

INFORMATION SESSION

In Round 3, we are organizing a series of conference calls to help explain the application process and clarify the selection criteria. These calls will be scheduled between February 2 – 12 and will be held in English, French and Spanish. If you want to participate in one of these calls, please send an email to microinsurancegrants@ilo.org and include your name, organization and language preference.

ROUND 3
JANUARY 2009

WHO IS ELIGIBLE FOR INNOVATION GRANTS?

Organizations eligible for grants include:

- **Risk carriers** such as insurance companies, semi-formal microinsurers, or federations of microinsurance schemes
- **Delivery channels** including NGOs, cooperatives, banks and microfinance institutions, labour unions and employers' associations, or insurance brokers and agents
- **Insurance industry actors** such as third-party administrators or claims processing centres, providers of software and database management services (in consortium with microinsurance providers), training centres or industry associations

The Facility is especially interested in supporting collaborations between different types of entities, so it is possible for two or more eligible organizations to apply for a grant together. If the grant application is on behalf of a consortium, one organization should be the lead applicant and would serve as the ILO's primary contact.

We want to work with strong organizations that have internal control systems and the capacity to produce financial statements. Where possible, we prefer applications in which a microinsurance provider (broadly defined) in a developing country is the lead applicant – we are less interested in receiving applications from support organizations in developed countries, although they certainly could be part of a consortium.

TECHNICAL ASSISTANCE GRANTS

Organizations interested in starting microinsurance or in improving their existing schemes, but lack an innovative component in their projects may apply for TA grants. These grants can be used to purchase the services of an external expert to address specific issues of the existing schemes. While smaller in size than Innovation Grants, if used effectively, TA grants can help move a project into its next stage. For more information, please see our website www.ilo.org/microinsurance or contact microinsurancetechassist@ilo.org

WHAT KIND OF PROJECTS WILL BE SUPPORTED?

The ILO is looking for a diverse portfolio of grants across the developing world, with a focus on Africa, Asia and the Pacific, Latin America and the Caribbean, and the Middle East. Although these grants could support insurance for any type of risk, priority will be given to voluntary products for which there is a significant demand yet insufficient supply, such as health, agriculture, property and life insurance.

The grants are intended to cover a portion of the costs to implement and test the innovation – the grants issued thus far have ranged from \$35,000 to \$600,000. The grant should not subsidize the organization's general operations, but rather should be targeted toward a particular project, which could be new or already underway. The Facility will not provide grants for loan capital or guarantee funds.

The proposed project should be designed so that it will be viable at the end of the grant period, either because it is self-sustaining or because additional resources are identified to continue the operations.¹

¹ This does not necessarily apply to the small grants.

WHAT DOES THE FACILITY EXPECT FROM GRANTEES?

For all initiatives, applicants are expected to contribute at least 25 percent of the total project budget. Fees generated by services offered through the project cannot serve as counterpart contributions. In-kind contributions may be considered from non-profit applicants.

The Facility is not interested in supporting credit life products. In fact, any insurance product linked to loans would have to be particularly compelling to be considered. Since loan-linked microinsurance products have been the most successful (from the insurer's perspective), we expect that they can generally be developed without the benefit of an innovation grant.

For details about the Facility's current grants, see the Grantee Community page on www.ilo.org/microinsurance

To receive a grant, applicants must sign and comply with the terms and conditions of the ILO's Standard Grant Agreement for microinsurance projects. This Agreement includes clauses on intellectual property, financial reporting, funds disbursement, and dispute resolution, and it incorporates details of the proposed project implementation. A copy of the Standard Grant Agreement for microinsurance projects is available on the Innovation Grants page at www.ilo.org/microinsurance

A central purpose of the Facility is to **document and disseminate lessons learned**. Grant recipients are expected to participate in an action research process that analyses and documents the lessons from their innovative efforts. This process includes providing financial reports and regular updates of the project, and if requested allowing the ILO's researchers on site to collect data and conduct studies. Grantees would also be expected to actively participate in practitioner forums, both virtual and in person, to share their experiences with other grant recipients as well as those interested in learning about microinsurance.

Grants are issued in tranches; for grantees to be eligible for subsequent instalments, they must achieve the mutually agreed targets or milestones and be diligent about submitting timely reports.

WHAT IS THE APPLICATION AND SELECTION PROCESS?

1. Applications: The ILO uses an on-line application process that can be accessed from the Facility's website. Please note that:

- The deadline for submission is 17:00 (Central European Time) **10 March 2009**. Applications received after the deadline will not be considered in this round.
- Submission of online applications involves a secure, password protected process that begins with a user registration.
- Applications may be completed in one or more log-in sessions. An application in process will not be accessible by the Facility. We can only view completed applications after the applicant submits them.

ROUND 3
JANUARY 2009

WHAT ARE THE SELECTION CRITERIA?

- Applicants who experience difficulty with the on-line application should contact microinsurance@ilo.org. If you're unable to access the Internet please call +41 22 799 67 86. To avoid last minute complications, applicants are encouraged to complete their submission as early as possible.

2. Evaluation and Selection Process:

- The Facility may request additional information when reviewing applications.
- An independent committee will review the proposals and select those that best meet the selection criteria (see below).
- Selected applicants will be notified by 22 May 2009.
- Before signing a grant agreement with the ILO, prospective grantees prepare a detailed work plan and budget that form the basis for the milestones that need to be achieved. Final approval of the grant is subject to the satisfactory completion of these plans.

- **3. Future grant making:** The next round of grant applications will be announced in August 2009 for submissions in September. Eligibility criteria and application processes may be adjusted in subsequent rounds.

Applications will be evaluated based on the following criteria, where applicable. The Facility will prioritize applications that maximize benefits to clients.

1. Client and market issues

- 1.1 Will the proposed innovation reduce the vulnerability of low-income households?
- 1.2 Does the application consider the needs, preferences and characteristics of the target market, including both men and women?
- 1.3 Does the innovation have the potential to serve a large number of people?

2. Viable project idea

- 2.1 Does the project aim at viability?
- 2.2 Does the concept seem achievable? Is it supported with credible evidence? Is the proposed scale attainable?
- 2.3 Has the applicant identified the risks associated with the project and proposed effective management strategies?
- 2.4 Is the proposed project not prohibited by the regulatory environment?
- 2.5 Is the budget appropriate for the proposed activities?

3. Applicant's capabilities

- 3.1 Does the applicant have the capacity, technical expertise and commitment to handle this project?
- 3.2 Has the applicant shown an appropriate level of detail and clarity in completing the application?
- 3.3 Can the applicant generate adequate financial reports and are appropriate systems and controls in place? Is the applicant financially viable and stable?

- 3.4 Will the applicant provide at least 25% co-financing?
- 3.5 In the case of a consortium, are the organizations likely to collaborate effectively?

4. Strategic relevance

- 4.1 Does the application fit into at least one of the Facility's three topics (i.e., products, models and consumer education)?
- 4.2 Does it propose something innovative and new?
- 4.3 Will the initiative create value added for the poor, both women and men?
- 4.4 If it succeeds, will it be replicable?
- 4.5 Will the project contribute to the microinsurance learning agenda?
- 4.6 Is an innovation grant really needed? Will it leverage additional investments?
- 4.7 Does the proposal contribute to a diverse pool of grants and grantees?

ABOUT THE ILO

The International Labour Organization (ILO) is the United Nations agency devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues. The ILO is the only 'tripartite' United Nations agency in that it brings together representatives of governments, employers and workers to jointly shape policies and programmes.

The ILO's interest in microinsurance comes from two perspectives. On the one hand, microinsurance is a means through which social protection can be extended to excluded populations, such as workers in the informal economy. On the other hand, the ILO is concerned about the social effects of the financial market, which often excludes the working poor who only have their labour as capital. Consequently, for the ILO, microinsurance enhances access to social protection and promotes inclusive and equitable insurance markets.



The social dimension of finance