



The Engagement Initiative: A UNDP Insurance and Risk Finance Facility Programme

For more information on UNDP's work on insurance and risk financing, please visit irff.undp.org

All UNDP's work on insurance and risk financing contributes directly to achieving the joint **InsuResilience** ambitions and commitments of **Vision 2025**.

Vision 2025 major commitments include: 1) 500 million poor and vulnerable people covered against disaster and climate shocks 2) 150 million people covered by microinsurance 3) 80 Vulnerable Twenty (V20) Group and vulnerable countries with comprehensive disaster risk finance strategies.

Introduction and Background

In 2021, global economic losses from hundreds of disasters totaled almost US\$260 billion. As a result of climate change, the socioeconomic impacts and costs of disasters and other climate risks are rising and severely compromising the development trajectory of many countries, especially least-developed countries (LDCs). Insurance and risk finance solutions can support countries to better manage shocks and crises in an increasingly risky world. Scaling up insurance coverage can create a virtuous cycle of economic benefits, including increased investment in the economy, reduced budgetary pressure on governments in the event of disaster and greater socio-economic security for citizens.

However, LDCs often have weaker capacity for utilising insurance and risk financing in their financial management and development planning. These countries are also those where the insurance industry sees real and perceived challenges, like issues of demand, legislative and regulatory environment, financial governance, ability to finance premiums etc.

In order to tackle these foundational challenges for insurance and risk financing, UNDP's Insurance and Risk Finance Facility has launched the Engagement Initiative, which focuses on LDCs and V20 climate-vulnerable countries. The initiative is rooted in UNDP's long-term work on governance and development in the LDCs as well as the growing work of UNDP and its national and international insurance industry partners at the country level to develop insurance and risk financing solutions.

The first five Engagement Initiative countries (Uganda, Tanzania and 3 more to be decided) are funded by the German Government and the initiative aims to secure enough funding to expand to 15 countries by 2025. The Engagement Initiative is an integral part of the Insurance and Risk Finance Facility and is aligned to supporting Vision

2025 of the InsuResilience Global Partnership, i.e. to cover 500 million poor and vulnerable people against climate and disaster shocks by pre-arranged risk finance and insurance mechanisms.

The Initiative: Building Demand for Insurance and Disaster Risk Financing

The engagement initiative has three overall and inter-related objectives in pursuing the growth of insurance and risk financing:

- Advocating for greater understanding and usage of risk-transfer by all actors, strengthened by research and evidence.
- Building the capacity of governments and other critical actors, including national industry partners.
- Reducing risks and barriers that may prevent the growth of insurance and risk financing, including the role of the private sector.

The initiative in each country will be established by conducting a detailed diagnostic that examines, among other things, the current ecosystem for insurance and risk financing, the underlying risks and development dynamics, the legislative, regulatory, and supervisory environment, the state of the industry, and the wider understanding of insurance.

Main Components of the Work

Informational Development: This component looks at ways to increase developing countries' understanding of risk financing and insurance, and the potential role it could play in achieving their development goals:

- **Research, Evidence, Advocacy:** Starting with diagnostic reports, feasibility analyses, and research, this component will build the evidence for government investments in insurance and risk-financing. It will also, where appropriate,

build the business case for examining losses, recovery costs, and various opportunities for insurance and risk finance.

- **South-South Learning and Collaboration:** Countries within the Engagement Initiative will draw lessons from each other that face similar scenarios and ambitions, including learning from those countries where UNDP is already working with industry to create risk financing solutions and build the technical capacity of government.
- **Private Sector Mentoring and Collaboration:** In each country, work will be undertaken to support the process through engagement with the private sector across a range of relevant companies, national and international, both public and mutual/cooperative.
- **Training:** Engagement Initiative Country Offices and partner countries, will be enrolled into the UNDP training programme that will be launched in 2022 as part of the roll-out of the IRFF. Dedicated components will be developed to provide foundational guidance for developing country capacity.

Technical Development: This component provides a strong foundation for the future management and growth of insurance and risk financing in each country. There are three main sub-components:

- **Risk Modelling:** Working with industry to build the components for the construction of risk models across critical hazards and geographies.
- **Legal, Regulatory and Institutional Development:** The largest sub-component of the technical work will focus on improvements to the legal, regulatory and institutional environment for insurance and risk finance.
- **Integration into Development Financing and Frameworks:** UNDP will work with government to integrate insurance and risk finance, where appropriate, into existing development processes, like the Nationally determined contributions (NDCs), National Adaptation Plans (NAPs), national strategies for Disaster Risk Reduction (DRR) and into developing financing.

Development of Insurance and Risk Financing Solutions:

A third, and subsequent component of the engagement initiative, is that the foundational work undertaken leads to the development of insurance and risk financing solutions with industry, supported by UNDP. The type and focus of each solution(s) will be dependent on the country, and its requirements, and the capacity of all the actors concerned.

(Note that this component is heavily dependent on the progress of the overall work of the engagement initiative, and may not take place in all countries.)

THE TRIPARTITE AGREEMENT BETWEEN BMZ, UNDP AND THE INSURANCE DEVELOPMENT FORUM (IDF)

The **Tripartite Agreement** sits at the center of UNDP's work on risk financing. Signed at the UN Secretary General's Climate Summit in 2019, this agreement brings together the German Federal Ministry for Economic Cooperation and Development (BMZ), UNDP and with the Insurance Development Forum ten of the world's largest insurance and reinsurance companies in the world to build risk financing solutions for climate vulnerable countries. Agriculture, education infrastructure, transport, health facilities and more are all potential sectors for coverage. Here, industry provides technical assistance in developing financial solutions, alongside \$5 billion of risk capital. UNDP supports industry through convening and stakeholder management, institutional and government reform, and the integration of risk financing into government decision-making.

One of the aims of the Engagement Initiative is that its countries will also become Tripartite Countries, and have access to the dedicated capacity building, technical assistance, and risk-capital, provided by industry. ([See here for more detail.](#))

Logistics

This initiative will run in each country for a maximum of three years. The initial focus will be on five countries. Two of them have already been selected - Uganda and Tanzania. The selection of the other three requires further discussions with key stakeholders. Work in Uganda and Tanzania will begin in Q1 2022. Each country under this engagement initiative will benefit from being part of the wider country programme of UNDP focusing on governance and development. It will also benefit from the growing work of the UNDP's [Sustainable Finance Hub](#).

Contacts

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