



Insurance and  
Risk Finance  
Facility

FACT SHEET

# UNDP Insurance and Risk Finance Facility

Building Financial Resilience to Safeguard and Incentivize Development

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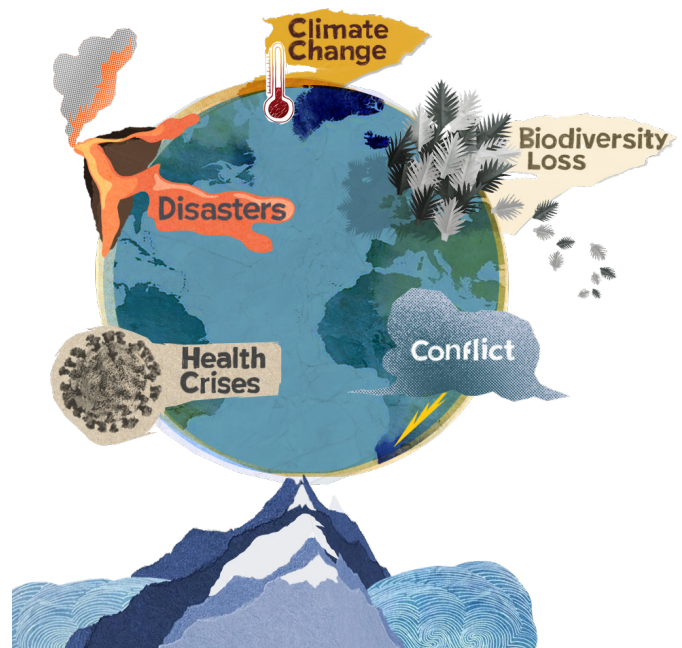


# The Context: A World of Rapidly Rising Risk and Weak Financial Protection

Climate shocks, economic uncertainty and conflict are among the era-defining risks reshaping sustainable development and financial markets. Climate-related extreme weather events have increased fivefold globally over the past 50 years, but eightfold in developing countries – which also account for 90 percent of reported deaths. More than US\$3.8 trillion has been lost in the agricultural sector in the last three decades due to climate change related hazards, more than 50 percent of the world is affected by drought and nearly 2 billion people are at rising risk of increasingly frequent and severe flooding. These hazards and shocks, growing in frequency and severity with each year, could push as many as 100 million people into extreme poverty by 2030. Meanwhile, nature, the frontline protection from disaster, is declining at a staggering rate. Over half the world's global domestic product (GDP) – approximately \$58 trillion per year that is highly dependent on nature, is massively at risk from rising crises.

Countries and communities are also seeing a much more complex picture of risks and their impacts. The COVID-19 pandemic highlighted the weakness of national and global resilience to health shocks as households, businesses and entire countries experienced sharp declines in income and global poverty rising for the first time in decades. Impacts of rising conflict are also reverberating regionally and globally, affecting oil and food prices, and challenging multilateral cooperation. Increasingly, it is the interconnectedness of these crises that is key, with the combination of both short- and long-term climate changes, environmental threats, weak resilience and governance itself contributing to further conflict and insecurity.

Against this backdrop of persistent vulnerabilities, investing in financial resilience (the ability to financially withstand and recover from unexpected events or shocks) is a global imperative to safeguard development and incentivize growth and investment. The global protection gap, the gap between the impact of crisis and how much of that is insured, has reached \$1.8 trillion. In 2023, 218 disasters from natural hazards (up from 187 in 2022) resulted in global economic losses of \$280 billion, of which less than 40 percent was covered by insurance. The rates of insurance coverage for disasters in developing countries are between 0 and 10 percent. The impacts are generational, with both short- and long-term financial burdens of unfinanced disasters falling directly on countries, businesses and households.



# UNDP's Work in Financial Resilience

UNDP's Insurance and Risk Finance Facility is charting new pathways to build resilience, incentivize growth and safeguard development. Housed within UNDP's Sustainable Finance Hub, the Facility is currently active in 39 countries, where it uses insurance and risk transfer to increase the financial resilience of **countries, communities, households, businesses, nature and food systems.**

## Resilient Countries and Communities

### Increasing countries' capacity to manage risk, financially

As the global risk landscape becomes increasingly complex, developing countries need increased capacity to manage risks financially, without compromising already strained national budgets. UNDP is working with governments to integrate the financial management of growing risks into all aspects of countries' financial decision-making. This includes working with insurance industry partners to develop and distribute relevant insurance solutions at increasing levels of scale. And increasingly, this work is expanding to the most fragile and conflict-affected states, building tailored solutions in the most complex of environments. Technical assistance is driving tailored risk financing strategies, policy and regulatory reform, improved risk modelling and analysis and strengthened local insurance markets. In parallel, the Facility is helping countries integrate risk finance into key development frameworks such as their Integrated National Financing Frameworks.

## Resilient Households

### Opening new pathways to financial protection for billions of people in developing countries

An estimated 9 out of 10 people in low-income communities lack the formal safety net provided by insurance and risk falling back into poverty with any unexpected shock – such as illness, death, loss of income or property damage due to natural hazards. UNDP is working on the provision of low-cost, accessible insurance products that meet the actual needs of individuals and families in developing countries. This includes working with governments to prioritize insurance market development, integrating insurance into social and economic programmes and undertaking detailed work with insurance regulators to develop the most appropriate enabling environment for insurance to thrive. The insurance industry's capacity to develop products, services and distribution channels capable of reaching underserved households is also being developed, with a string focus on gender-inclusivity. In parallel, initiatives are under way to increase actuarial capability to accurately price inclusive insurance products.

## Resilient Businesses

### Building small businesses' resilience to strengthen local and regional economies

SMEs in both developed and emerging economies are facing the disruptive effects of extreme weather events, shifting market demands, cybersecurity threats and regulatory changes. However, SMEs in emerging economies often grapple with limited access to finance and technology, infrastructure deficits and capacity-building constraints, exacerbating their vulnerability to climate-related risks. The vast majority of these companies have no insurance of





any kind. UNDP is building evidence and digital tools to increase SMEs' understanding and financial management of rising risks, and alongside this, is working with industry to build the latest in financial solutions. Innovation challenges are incentivizing the development and distribution of insurance solutions tailored to SMEs' needs across UNDP's financial resilience portfolio. Efforts to develop local insurance markets where these solutions can scale development include trainings, policy reviews and strengthened regulatory frameworks.

## 4. Resilient Nature

### Generating a virtuous circle of thriving nature and local communities

Current financial systems undervalue nature's contributions, worsening climate impacts and environmental degradation. UNDP is rethinking the relationship between finance, insurance and nature protection as a virtuous circle that must secure sustainable future for generations to come, utilizing our growing awareness of nature's economic value and the intergenerational concern for its loss. Multi-stakeholder processes and financing mechanisms are used to protect and restore ecosystems through nature-related insurance products. These solutions are emerging through the Insurance Innovation Challenges, our partnership with BIOFIN (the Biodiversity Finance Initiative) to reduce human-wildlife conflict, and our growing work with the insurance industry to construct financial resilience on the protective value of nature, such as in relation to reefs.

## 5. Resilient Food Systems

### De-risking investments in food systems and global supply chains

UNDP is supporting food systems transformation by promoting insurance within broader de-risking frameworks, facilitating cross-ministerial collaboration to institutionalize the insurance agenda and protecting business models by bundling insurance with services and products delivered by value chain actors. UNDP is bolstering smallholder farmers' resilience and adaptation to climate change through the design and implementation of innovative agricultural insurance programmes. Working with investors, awareness is being built around using insurance to de-risk investment in food systems by increasing the resilience of value chains reliant on smallholder farmers. At the same time, smallholder resilience to climate risks is being improved by incentivizing the uptake of adaptive climate technologies. UNDP is also working with governments and insurance industry to develop tailored large-scale agriculture-related risk finance solutions in Colombia, Ecuador, Ethiopia, Mexico, Uganda, the United Republic of Tanzania and Uzbekistan.

*"In the face of an intensifying climate emergency, tailored insurance for communities in developing countries transcends mere protection for tomorrow. It is an anchor securing new resilience for the generations to come."*

—Achim Steiner, UNDP Administrator



# Our Projects: Action and Implementation

## ■ Tripartite Agreement

**Building country and community financial resilience to climate risks, working with the world's largest insurers**

The Tripartite Agreement is a partnership between UNDP, the German Federal Ministry of Economic Cooperation and Development (BMZ) and 20 of the world's largest insurers under the framework of the Insurance Development Forum. One of the largest public-private partnerships in the development sector, the Tripartite Agreement is active in 20 countries, and protects close to 64 million beneficiaries, underpinned by \$5 billion in risk capacity offered from the insurance industry partners. This joint programme includes the development of large sovereign insurance initiatives protecting society from key hazards and shocks. A long-term comprehensive technical assistance programme delivered by UNDP is building long-term financial risk management capacity for governments, developing risk financing strategies, developing insurance markets with insurance regulators and building the innovative and market capacity of national insurers.

## ■ Financial Resilience in Agriculture Initiative

**Building smallholder farmers' resilience and adaptation to climate change through innovative national agricultural insurance programmes**

The Financial Resilience in Agriculture initiative, in partnership with the Bill and Melinda Gates Foundation, is designing and implementing innovative national agricultural insurance programmes in five countries: Bangladesh, Ethiopia, India, Uganda and the United Republic of Tanzania. The initiative's

unique market systems approach is to not only build financial resilience, but also to address market failures that prevented agricultural insurance programmes from reaching scale and focus on building sustainable business models for actors from the inclusive insurance ecosystem. In parallel to this country work, a global platform brings together governments, industry and food producers to build value chain solutions at scale, with a Community of Practice peer-to-peer learning platform at its centre, now with 18 participating countries.

## ■ Insurance Innovation Challenges

**Powering a new generation of insurance solutions tailored to underserved households and businesses in developing economies**

UNDP is rolling out Insurance Innovation Challenges in 25 countries, with an investment of over \$2.1 million to incentivize industry transformation and provide tailored technical assistance to bring winning solutions to life. Insurance innovation country challenges, supported by the Government of Germany, are calling on insurers, intermediaries and insurtechs to design new insurance products and services, models and distribution methods in 20 countries. The UNDP and International Cooperative and Mutual Insurance Federation (ICMIF) Insurance Innovation Challenge Fund is scaling up low-cost insurance products for women in four countries, while the UNDP-Generali Challenge Fund is incentivizing the development of two insurtech solutions in Malaysia tailored to SMEs faced with rising climate and weather-related risks.

## UNDP-Milliman Global Actuarial Initiative

**Increasing countries' understanding and management of climate risks by building actuarial capacity and deepening insurance markets**

Resilient economies and societies need insurance, and insurance needs actuaries to quantify, price and manage evolving risks. However, the actuarial profession is just emerging in many developing countries, with many countries having just a handful of trained national experts. The UNDP-Milliman Global Actuarial Initiative (or GAIN) is working with developing countries to manage their growing climate risks by building actuarial capacity and deepening local insurance markets. GAIN is delivering short-term actuarial capacity-building trainings and working on longer-term strategic policy changes in 12 countries, with over 4,000 pro bono consulting hours contributed. Interventions to increase the supply of actuaries include training courses and mentorship programmes.

## UNDP-Generali Building SME Resilience

**Unlocking small businesses financial resilience through digital tools, research and product innovation**

Between 80 and 95 percent of the world's micro-, small and medium-sized enterprises are in developing countries, contributing up to 55 percent of GDP and 70 percent of employment. Recognizing the pivotal role SMEs play in the global economy and their vulnerability to climate-related risks, Generali and UNDP have partnered on a shared vision to accelerate SMEs' financial resilience to rising hazards and shocks. To date, Generali and UNDP have launched an SME Loss Prevention Framework to help Malaysian SMEs manage flood risks and an innovation challenge bringing innovative SME insurance solutions to life, and have developed a

new approach to identifying MSME risks and needs by segmenting priority value chains.

## Reef and Coastal Community Resilience

**Protecting and restoring ecosystems while strengthening the financial resilience of local communities**

Nature's conservation, restoration and sustainable use must be part of any meaningful approach to inclusive economic growth, especially in nature-rich developing countries. With support provided by the Ocean Risk and Resilience Action Alliance (ORRAA), UNDP is collaborating with Swiss Re and the Government of Indonesia to develop a long-term parametric/hybrid insurance solution for coral reef protection and restoration. Ensuring the health of these critical ecosystems will safeguard coastal infrastructure, support local livelihoods dependent on reef-related sectors and drive tourism, by protecting activities such as diving, snorkelling, fishing and other recreational marine activities. An expansion of this initiative is in development for other countries in the Asia-Pacific region.

## Least Developed Countries (LDC) Engagement Initiative

**Building LDCs' financial resilience by supporting government-led financial risk management**

The insurance industry faces real and perceived barriers to market outreach and penetration in LDC countries, including issues of demand, unsupportive legislative and regulatory environments, financial governance and the ability to finance premiums. The LDC Engagement Initiative is working with government to build the foundations of financial risk management and with the insurance industry

to find insurance and risk financing opportunities that can support and safeguard economic and social development. Currently active in Comoros, Senegal and Uganda, the approach is rooted in UNDP's long-term work on governance and development in the least developed countries, ensuring that investments in long-term financial resilience are also made in more challenging contexts.

## Tailored Delivery Programmes

**Technical assistance for countries' unique risk management needs – from multi-catastrophe risk pools to war risk insurance**

Increasingly, UNDP's work on insurance and financial resilience is being driven by demands from the country level, with bespoke technical and financial capacity requested for sometimes specialized situations. Programmes include development of risk financing solutions in India and Indonesia, addressing human-wildlife conflict through a world-first jaguar insurance product in Argentina in collaboration with BIOFIN and the Government of Argentina and efforts to reduce the costs of food importation in fragile states.

## Financial Resilience through Takaful

### Harnessing Takaful to bridge the climate protection gap

Of the 30 countries most affected by the changing climate, over half have Muslim-majority populations for whom financial solutions must also comply with faith-based tenets. Providing such financial solutions are an additional challenge to building financial protection, adding to existing challenges such as lack of access, trust and resources. Takaful is similar to cooperative and mutual insurance in that it is guided primarily by the overall good of the community. Just like many other forms of financial protection, it can help people better understand and manage their risks, increase financial inclusion and incentivize investment.

### The Global Takaful Alliance

UNDP is working with partners to create the largest partnership of its kind to make Takaful available to all: The Global Takaful Alliance. With the ambitious target of 100 million people made financially resilient by 2030 through Takaful, the Alliance is already joined by founding members, the Islamic Development Bank (IsDB), Arab Gulf Fund for Development (AGFUND), Kuwait Finance House (KFH) Group and the Mohammed Bin Rashid Al Maktoum Global Initiatives (MBRGI). See our website at <https://irff.undp.org/> for more details.





## Where We Work 39 Programme Countries



## Global Expertise, Innovation, Leadership and Partnership

UNDP's work on insurance and risk financing extends beyond the countries with IRFF-led projects. The IRFF is also building capacity within UNDP, across headquarters, regional hubs and country offices, to unlock its institutional potential to close the protection gap by leveraging the power of insurance and risk financing to secure development gains and build financial resilience for communities and countries. This will be complemented by securing resources in key areas such as natural capital and insurance investment and widening work in LDCs, Small Island Developing States (SIDS) and more.

Leadership, partnership, gender inclusion, innovation, technology and data are key elements of UNDP's financial resilience strategy and are increasingly integrated across UNDP's insurance and risk finance portfolio. These cross-cutting and interrelated features are part of the Insurance and Risk Finance Facility's systems approach to delivering holistic country solutions.

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