

Insurance, Risk Financing and Development

Accelerate Implementation to achieve the InsuResilience Global Partnership Target
of 500 million insured by 2025

Programme Commitment by the BMZ, UNDP and the IDF

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Context

Tackling climate change will require unprecedented effort from all sectors of society. The upcoming UN Climate Summit on the 23rd of September is a call to boost collective national political ambition and accelerate actions to implement the Paris Agreement and its agenda.

With this goal, BMZ, UNDP and IDF have agreed to strengthen collective action and develop a Joint Programme Commitment towards the systematic delivery of technical assistance to 20 priority countries exposed to climate risks by 2025 in:

- climate and disaster risk modelling,
- risk model application,
- risk transfer analytics, and
- integration of risk transfer into development processes.

These climate-vulnerable countries will therefore be able to quantify their climate risk, use this to inform their adaptation and transfer some of the risk to the private sector through insurance. The Joint Programme Commitment aims to accelerate implementation of risk-finance and insurance programmes to contribute to achieving the InsuResilience Global Partnership target of 500 million insured beneficiaries by 2025, as laid out in the InsuResilience Global Partnership *Vision 2025*.

The initiative builds on significant investments made across key institutions, towards leveraging the risk management expertise and capacities that the private sector and insurance markets can offer, in close collaboration with the public sector, in closing the protection gap and addressing the increasing impacts from climate change.

In many developing countries, even upper middle-income ones, there has been inadequate investment in integrating risk transfer into the country's financial or development priorities. There is still limited understanding of the value proposition of insurance, from risk analytics to risk transfer and broader risk management opportunities. There is even less expertise in translating this into long-term risk-informed development.

This trilateral partnership will build on a critical lesson learnt: the success of implementing real solutions on the ground and accelerating these efforts is highly dependent on a credible, sustained country-level presence. This is critical to support local capacity building, deliver project management and technical assistance, and embed issues of risk management, risk financing and insurance into national policy and development discussions.

Key Pillars of the Joint Programme Commitment

IDF, UNDP, BMZ and the InsuResilience Global Partnership:

Climate change and disasters can have a significant impact on governments and cause damage to critical infrastructure that is necessary to support vital human and economic activities. The Joint Programme Commitment will seek to leverage the following amongst the partners:

UNDP:

Commits to

- Country Level Implementation: Bringing UNDP's experience to bear in mainstreaming issues of risk management in the development engagement with countries.
- Supporting regulatory and legal framework: Coordinating the development of optimal regulation and legal frameworks (significantly supported by industry) to have in place to allow for better climate risk management and risk financing.
- This will include technical assistance to countries to integrate the analytical and climate risk modelling work, jointly between the countries and with the insurance industry, into countries' critical development processes. These include their national development plans, regional plans, Nationally Determined Contributions, National Adaptation Plans, and other development processes.
- UNDP will also provide project management support and actively leverage its country offices as liaisons to governments in support of the programme.
- UNDP's contribution to this initiative will be in part integrated into the agreed 10 million euros BMZ investment in inclusive insurance through UNDP in 7 countries through to the end of 2023; this initiative includes a highly relevant foundation component on the integration of risk finance/insurance into development.

BMZ:

Commits to

- Financing: As a strategic partner to steer the work of this initiative, together with the InsuResilience Global Partnership, and ensure alignment with the Partnerships' Vision 2025 including mobilizing the financial support to underpin the programme, including through vehicles such as the InsuResilience Solutions Fund (ISF).
- This would include co-financing, with the private sector, the technical assistance package, project management and structuring necessary for delivery of the programme by UNDP and IDF members.

The IDF private sector members:

Commit to

- Climate and disaster risk modelling: Implementing a public-private partnership programme to enable high quality risk insight in vulnerable economies. Industry will provide an openly accessible modelling platform and ecosystem for use in countries' adaptation and risk transfer decision making. It will also bring technical expertise, standards and commissioning capability to the partnership's programme to fill critical gaps in risk model coverage, quality and understanding. Through promotion of model transparency and incorporation of local research, the outcome will be more robust and sustainable risk insight in sovereign entities and their agencies.
- Developing risk transfer solutions: Developing customized risk financing options for government/sub-sovereign/other types of public sector entities based on risk modelling work.
- Financing: In line with the financial resources mobilized by BMZ, co-fund, in kind, the technical assistance package to countries under the programme.
- Offered Risk Capacity: And finally, as part the InsuResilience Global Partnership's work programme, the IDF re/insurance industry members commit to offer up to USD 5bn of risk capacity for climate risk insurance by 2025.

This partnership, the Joint Programme Commitment of BMZ, IDF and UNDP, will draw on the relevant expertise and capacities of the public and private sector partners. It will align with the goals and targets of the InsuResilience Partnership: to address the protection gap by strengthening countries' resilience through the establishment of sound risk management principles and the deployment of tools and solutions.