



Inclusive Insurance and the Sustainable Development Goals

How insurance contributes to the 2030 Agenda for Sustainable Development

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Abbreviations	4
1. Executive Summary	5
2. Background and Objective	7
3. Insurance and the Sustainable Development Goals	8
3.1. Insurance as a primary level contributor to six SDGs	10
SDG 1: End poverty in all its forms everywhere	12
SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture. . . .	14
SDG 3: Ensure healthy lives and promote well-being for all at all ages	16
SDG 5: Achieve gender equality and empower all women and girls	18
SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	20
SDG 13: Take urgent action to combat climate change and its impacts	22
3.2. Insurance as a secondary level contributor to five SDGs	25
SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	26
SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	26
SDG 10: Reduce inequality within and among countries	27
SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable	27
SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development	28
4. Implementing Inclusive Insurance	30
4.1. Fostering insurance within the financial systems development agenda	30
4.2. Integration of insurance into other development agendas	30
Annex 1: Insurance Contribution to the SDGs and other Development Agendas	33
Annex 2: Bibliography	35
Publications	35
Websites	35
Endnotes	37

ABBREVIATIONS

ADIE	French Non-Governmental Organisation and Microfinance Organisation
ACRE	Agriculture and Climate Risk Enterprise Ltd.
BMZ	German Federal Ministry for Economic Cooperation and Development
CCRIF	Caribbean Catastrophe Risk Insurance Facility
Cf.	Confer
CI	Critical illness
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
G7	Group of Seven
Ibid.	Ibidem
IFC	International Finance Corporation
MDG(s)	Millennium Development Goal(s)
MFW	Microfund for Women
MILK	Microinsurance Learning and Knowledge (MicroInsurance Centre)
MSME(s)	Micro, Small and Medium Enterprise(s)
n.d.	No date
NGO	Non-governmental organization
RCT	Randomized Control Trial
SDG(s)	Sustainable Development Goal(s)
SUAVE	Simple, Understood, Accessible, Valuable and Efficient
TG	Target
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USD	US Dollars
WFP	World Food Programme
WWB	Women's World Banking

Key Messages



How insurance helps to end poverty in all its forms everywhere

- Insurance provides a safety net for those using it, preventing families from falling (back) into poverty after experiencing a shock.
- Insurance provides an economic protection mechanism for all.
- Insurance sustains other development efforts.



How insurance helps to end hunger, achieve food security and improved nutrition and promote sustainable agriculture

- Insurance fosters locally driven and sustainable food production by opening lending opportunities where there were none before, and by encouraging investment in enhanced agricultural practices.
- Insurance improves household food security by stabilizing the household's financial situation after a shock.
- Insurance helps people to respond and adapt to natural catastrophes, which otherwise can plunge them into greater poverty.



How insurance helps to ensure healthy lives and promote well-being for all at all ages

- Insurance and social protection can play complementary roles to cover a range of household health care costs.
- Insurance improves health-care seeking behaviour.



How insurance helps to achieve gender equality and empower all women and girls

- There are gender differences in risks faced by women and men.
- Insurance offers protection for women working in the informal sector who often fall outside the reach of public social protection schemes.
- Insurance protects women against the devastating effects of gender-related reproductive health risks.
- Insurance protects women from the financial impact of losing family members, helping women to retain their homes, sustain their businesses, continue education of their children, and generally maintain the financial stability of their household.



How insurance helps to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Insurance protects assets, thereby unlocking loans and other funds for investments by MSMEs.
- Insurance frees MSME's private funds for productive investment.
- Insurance supports the development of MSMEs by protecting them from losses due to risks related to business, natural disasters or other catastrophes.
- Insurance helps to avoid child labour related risk financing.



How insurance helps to take urgent action to combat climate change and its impacts

- Insurance mitigates the effects of extreme weather events, thereby strengthening climate change resilience.
- Insurance complements and strengthens other climate change coping efforts.
- Catastrophe insurance protects a variety of stakeholders, from companies and infrastructure to the most vulnerable.



A new framework for development – the Sustainable Development Goals. On 25 September 2015, the United Nations (UN) adopted a far-reaching resolution intended to transform the world. The 2030 Agenda for Sustainable Development replaces the Millennium Development Goals (MDGs) which was the overarching development framework from 2000 to 2015. Recognizing that these goals were not fully achieved, and drawing on the lessons learned, “the new Agenda builds on the MDGs and seeks to complete what they did not achieve, particularly in reaching the most vulnerable.”¹ On 1 January 2016, the eight MDGs² consisting of twenty targets (TGs) were replaced by the seventeen Sustainable Development Goals (SDGs) and 169 targets.

The objective of this paper is to provide an overview of the contribution of insurance to specific SDGs and their targets. The list of all seventeen SDGs forms the basis of the assessment. These were examined to identify which goals could significantly benefit from insurance as a risk protection mechanism to support their achievement. Furthermore, concrete examples of approaches to using insurance to contribute to specific SDGs and the development results achieved are provided.

“Inclusive Insurance”³ is considered in a variety of forms and contexts. It includes insurance products to mitigate against a variety of risks (life, health, asset) and extreme weather, climate and agricultural hazards. It encapsulates both insurance products provided by licensed insurance companies, insurance mutuals, or intermediaries, such as brokers, in the formal sector; as well as insurance sold by entities without an insurance license, such as self-help groups and funeral parlours which may be regulated by another authority or entirely unregulated. Apart from purely private-led insurance, inclusive insurance also

covers government-provided risk mitigation mechanisms, such as agricultural or climate risk insurance, subsidized health and accident programs, or development partnerships with the insurance industry. Social protection schemes are out of scope of the definition of inclusive insurance.

The paper highlights the crucial role that insurance plays as a tool to achieve development goals beyond financial sector development. The other development agendas considered include: social protection; food security; agricultural, rural and urban development; gender equality and women’s economic empowerment; micro, small and medium enterprise (MSME) development; and climate change.

A concerted global effort is necessary to implement the SDGs. The goals are said to be “supremely ambitious” and represent a “transformational vision” for the UN and all related parties. If achieved, the UN suggests that they will lead to a “world free of poverty, hunger, disease and want, where all life can thrive.”⁴ Indeed, this global aim requires effort from all countries and governments, authorities, the private sector, civil society, international development cooperation, academics and others – all of which contribute to the success of broad-based access to risk management options provided by the private sector, and/or government.

The Resolution notes that the 2030 development agenda will “facilitate an intensive global engagement in support of implementation of all the Goals and targets, bringing together Governments, the private sector, civil society, the UN system and other actors and mobilizing all available resources.”⁵ The Resolution “acknowledge[s] the role of the diverse private sector, ranging from micro-enterprises to cooperatives to multinationals [...] in the implementation of the new Agenda”.⁶

3. INSURANCE AND THE SUSTAINABLE DEVELOPMENT GOALS

The protection of people and assets is a key component of sustainable development. In the absence of any formal protection mechanism, when faced by risk events / shocks⁷, low-income people typically rely for recovery solely on informal coping mechanisms⁸, essentially self-insurance, such as asking family members and friends for help, taking loans, selling assets, not investing in education, or depleting savings. As such, insurance as a risk mitigation strategy⁹ allows low-income people, MSMEs, middle-income people as well as governments to protect and build on their existing assets.¹⁰ Without effective insurance, it is unlikely that sustainable development is truly achievable.

Although insurance is only explicitly mentioned once in the SDGs, it is implicitly relevant in the achievement of multiple goals. Given the importance of insurance to sustainable development, it is surprising that the SDG Resolution (A/RES/70/1) “Transforming our world: the 2030 Agenda for Sustainable Development” only mentions “insurance” once in its reference to the promotion of financial inclusion (TG 8.10). Additionally, risk management¹¹ is only mentioned once in relation to disaster risk manage-

ment (TG 11.b), while the concept of risk is itself only noted with respect to disaster risk several times, and once with respect to the “financial risk protection” offered by universal health coverage (TG 3.8).

Insurance as a risk protection mechanism can arguably support many of the SDGs, some directly and others indirectly. Insurance will be critical to the achievement of six of the seventeen SDGs, and important to the completion of five other SDGs. This paper focuses on those goals which directly rely on insurance as a risk protection mechanism to achieve success. It distinguishes between those SDGs where insurance can make a direct contribution at a primary level (bold in table), and those where it indirectly yet substantially contributes at a secondary level. The difference between the two levels is the depth of the contribution of insurance to the specific SDGs. Table 1 lists the SDGs and marks those six SDGs that can be directly and necessarily facilitated through insurance. It also highlights the five SDGs where insurance significantly contributes at a secondary level.

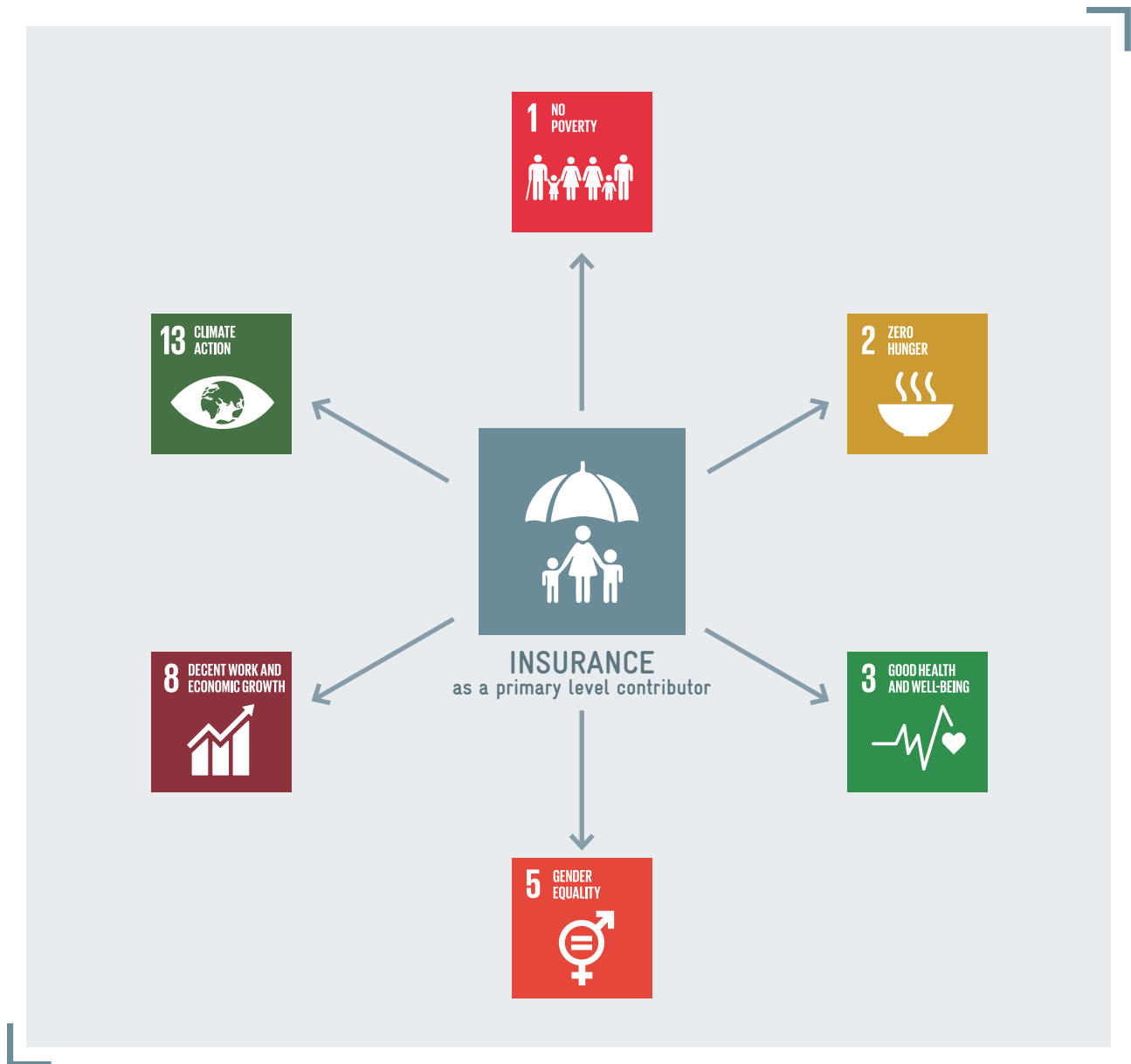


Table 1: The level of the contribution by insurance to all the SDGs ¹²		1°	2°
	End poverty in all its forms everywhere	×	
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	×	
	Ensure healthy lives and promote well-being for all at all ages	×	
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		×
	Achieve gender equality and empower all women and girls	×	
	Ensure availability and sustainable management of water and sanitation for all		
	Ensure access to affordable, reliable, sustainable and modern energy for all		
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	×	
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation		×
	Reduce inequality within and among countries		×
	Make cities and human settlements inclusive, safe, resilient and sustainable		×
	Ensure sustainable consumption and production patterns		
	Take urgent action to combat climate change and its impacts	×	
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development		
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss		
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels		
	Strengthen the means of implementation and revitalise the global partnership for sustainable development		×

3.1. Insurance as a primary level contributor to six SDGs

Where insurance is a primary level contributor to the SDGs, its effect on the respective SDG is direct, and the impact of measures in this area is obvious.

Drawing on this definition, insurance mechanisms underpin the achievement of six SDGs to provide some form of risk protection to low-income individuals.





SDG 1: End poverty in all its forms everywhere



Ending poverty is the first and most important SDG underpinned by all other goals of the Resolution. The SDGs share this ultimate underlying goal with the earlier MDGs where “ending poverty” was the fundamental basis for all other goals. By attempting to end poverty, many of the issues addressed by the other SDGs (such as those related to health, women’s empowerment, infrastructure or climate change) will benefit this goal as they are ultimately based on severe poverty among large proportions of the population, especially in developing countries.

Insurance provides a safety net for those using it (TG 1.3), preventing families from falling (back) into poverty after experiencing a shock (TG 1.5). Research suggests that when a shock occurs, families without insurance often liquidate their savings, take gifts and loans from friends and family, borrow at high interest rates, reduce family consumption, disinvest in education and sometimes must sell productive assets at a discount; all of these coping strategies reduce their resilience to future shocks.¹³ Through its basic function, insurance reduces the vulnerability of people, and helps to “[...] build the resilience of the poor and those in vulnerable situations

and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters”¹⁴ (TG 1.5). Without insurance, low- and even middle-income people can fall (back) into poverty once a severe shock strikes. Insurance helps prevent people from becoming poor due to an unforeseen event leading to financial and social hardship. It allows families like Angela’s (see the example in Box 1) to avoid the additional hardship of turning to other coping strategies that may create an ongoing and often long-term burden, such as long-term borrowing or selling the business.

Extremely poor people, i.e. those living on less than USD 1.9 a day, also need insurance. For severely poor families, this buffer may have to come from the government through the provision of social protection measures. But for those people that have some cash income and can therefore afford small premiums, insurance provides a buffer from the vicious cycle of poverty and thus can play an important role in building their resilience. Insurance designed specifically for low-income people is often referred to as “microinsurance”¹⁵.

BOX 1. Angela's vicious cycle of poverty due to the lack of insurance and other safeguards (Mexico)¹⁶

Covering the costs of a long illness and then a funeral for her mother, as well as adapting to the unexpected loss of her own income stream during her mother's illness, led to lasting financial hardship for Angela and her family. She pieced together four formal and informal loans to cover her immediate costs. But as she struggled to repay these loans, Angela first depleted her savings and then, "not knowing what else to do," sold her banana field. While the proceeds of this sale allowed her to cover costs in the short term, it ultimately left her and her family more vulnerable. If Angela's mother would have been insured (e.g. by a hospitalisation product, and/or life or funeral insurance product), it could have reduced the hardship for the family during her illness and in the aftermath of her death.

Insurance provides an economic protection mechanism for all (TG 1.4). Making insurance markets more inclusive by offering microinsurance and a greater variety of insurances products (for example, micro pensions, agricultural insurance, and climate risk insurance) is a core strategy for building safety nets for the poor and even the middle-income population. Microinsurance itself is a poverty-oriented service that complements other financial services such as payments, savings and loans. If appropriately designed, microinsurance products can help to "ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, [...] including microfinance."¹⁷

Insurance sustains other development efforts. After many years of financial sector development aimed at the

low-income market, it is clear that a combination of inputs is required to lift people out of poverty – among them, stable employment, training, access to markets and finance, and economic growth in general. Although each of these has a role in risk mitigation, good value insurance is what will sustain such development efforts in case of a crisis. Without insurance, one single crisis in the family, business, community or region such as a death, an accident, a fire or a drought can constrain an individual's economic improvement, leading to severe financial consequences and devastating the development efforts of many years, sometimes for the entire family. With this, both individual as well as communal (governments, donors and communities) development achievements can be impeded.



Key messages on the contribution of insurance to SDG 1: How insurance helps to "end poverty in all its forms everywhere"

- Insurance provides a safety net for those using it, preventing families from falling (back) into poverty after experiencing a shock.
- Insurance provides an economic protection mechanism for all.
- Insurance sustains other development efforts.

SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture



2 ZERO HUNGER



Hunger is one of the greatest constraints to development.¹⁸ It is estimated that around 800 million people globally do not have enough food to live healthy lives.¹⁹ The economic and social consequences of hunger are obvious. Generally, hunger is directly related to both weak food security in urban areas and unsustainable and changing agricultural production patterns.

Insurance fosters locally driven and sustainable food production by opening lending opportunities where there were none before, and by encouraging investment in enhanced agricultural practices. The support of agricultural productivity is a key element of eradicating hunger. Many development efforts aiming to eradicate hunger are therefore focused on how to support the agricultural sector in ensuring food security. Crop risk poses a very serious threat for low-income farming households. Risk events deplete the farmers' food stores, and the likelihood of crop risk events makes lenders more reluctant to lend for investments in agriculture and livestock production. Insurance, especially agricultural insurance, could improve the situation but is currently not easily available to low-income farmers. Over time, specific insurance products could contribute to strengthening the agricultural sector by providing better opportunities for farmers to manage their risks while increasing and diversifying their investments into their agricultural activities, positively impacting production, sustainability, food security, and employment. The example

in Box 2 demonstrates the constraint of risk to advancing sustainable agricultural practices. Without proper insurance products to mitigate these risks, it is unlikely that SDG 2 can be achieved.

Insurance improves household food security by stabilizing the household's financial situation after a shock.

For many people, the fall back into severe poverty is often a direct result of the lack of social or private protection mechanisms. Hunger and malnutrition are often the result of a shock. Segments of the population living immediately above the poverty line are vulnerable to hunger, for example, as a consequence of the death of a family member on whose income they relied. Insurance mitigates the effects of shocks such as a death in the family, and indirectly helps to eradicate hunger among low-income groups.

Insurance helps people to respond and adapt to natural catastrophes, which otherwise can plunge them into greater poverty. According to the World Food Programme (WFP), disasters disproportionately affect the poorest communities and significantly increase hunger and malnutrition.²⁰ Appropriate insurance can mitigate hunger and enhance the resilience of vulnerable people to confront the nutritional effects of natural disasters and climate change. This insurance can be solely provided by the private sector or the government, or jointly through a public-private partnership. Box 2 shows how farmers can benefit from insurance.

BOX 2. Insights from Ghana and East Africa

Farmers with weather insurance invested more. As seen in a randomized control trial (RCT) conducted in Northern Ghana by Innovations for Poverty Action, farmers' underinvestment in agriculture was driven by risk rather than by lack of capital. This RCT found that farmers who purchased weather index-insurance increased their expenditures and invested more in agricultural inputs (e.g. fertilizer) as opposed to those who did not purchase insurance. They further found that insured farmers cultivate more land and increase their efforts in preparing the land.²¹

Other organizations have recognized the important role that insurance plays in creating lending opportunities for farmers. By bundling insurance policies with loans, the farmers' credit access can be improved because the insurance provides security for the lending institution. Higher loans allow for higher investments which can ultimately lead to an increase in production and thus increased food security. For example, ACRE Africa (Agriculture and Climate Risk Enterprise Ltd.), a service provider operating in East Africa, has designed an array of agricultural insurance products tailored to a variety of stakeholders. Apart from its popular Kilimo Salama product offered to farmers in Kenya, ACRE Africa also offers a number of loan portfolio insurance products to institutions that lend to the agricultural sector. This promotes sustainable agriculture, and ultimately the fight to end hunger.²² Additionally, such insurance has been effectively used by ACRE Africa to help farmers shift to new more productive varieties of crops by covering the risks that hold people back from trying new methods since they believe they can continue to feed their families using traditional methods, while the new methods are unproven to them. Proper insurance offsets the fear of adaptation.



Key messages on the contribution of insurance to SDG 2: How insurance helps to “end hunger, achieve food security and improved nutrition and promote sustainable agriculture”

- Insurance fosters locally driven and sustainable food production by opening lending opportunities where there were none before, and by encouraging investment in enhanced agricultural practices.
- Insurance improves household food security by stabilizing the household's financial situation after a shock.
- Insurance helps people to respond and adapt to natural catastrophes, which otherwise can plunge them into greater poverty.

SDG 3: Ensure healthy lives and promote well-being for all at all ages



3 GOOD HEALTH
AND WELL-BEING



Poor health hinders social and economic development. In the absence of effective universal health coverage schemes in developing countries and emerging economies, low-income populations struggle to pay for their health care expenses. Even when there is health care financing available, there are typically gaps in coverage which need to be filled individually in order to retain resilience to health-related shocks. In the absence of effective insurance, health care costs often force those affected and their families into deeper poverty.

Insurance and social protection can play complementary roles to cover a range of household health care costs. Until there is true universal coverage in a country, public private partnerships are needed to provide the range of health cover that low-income families require, within a price range that they can afford. Health care financing

for the population by a social protection system can be complemented by insurance products which cover costs excluded from the social protection health care plan. Micro-insurance products, for example, can cover smaller types of these health care costs, such as the inpatient expenses incurred resulting from certain critical illnesses, or a daily cash benefit during a hospitalization intended to cover incidental expenses or lost income (see the example in Box 3 on a simple health insurance product for women), or smaller “slices” of health care costs such as gynaecological cover.²³

Insurance improves health-care seeking behaviour.²⁴ People with health insurance have been found to be more likely to have health checks and seek treatment more often and earlier. This generates healthier lives and well-being.

BOX 3. Health Microinsurance: The case of Microfund for Women²⁵

The Caregiver is a simple health microinsurance product offered by the Microfund for Women (MFW) in Jordan. It was designed in 2010 with the intention to bridge the gap between the direct costs of care (largely covered by Jordan's public healthcare infrastructure) and the full costs faced by clients who experience a health episode (often resulting in either a failure to seek care, or in using burdensome financing strategies such as selling off productive assets).

For a premium of just USD 1.5 per month, clients of MFW receive coverage of a flat USD 21 per night²⁶ spent in the hospital, intended to cover lost wages, transportation, and incidental expenses. The product is compulsory for all clients. The pilot evaluations found indications that having insurance increases health-seeking behaviour, and plans were underway to respond to the expressed demand to extend the coverage to the clients' families, particularly children.

As of 2015, 125,000 female clients were insured.²⁷ Analysis of client data revealed that clients who utilized Caregiver made loan payments on time, maintained overall consumption and had an enhanced perception of themselves, clearly showing the empowerment and improvement of health status of these women. Based on the positive results of this pilot, Women's World Banking is rolling out such insurance products with more of their affiliates.



Key messages on the contribution of insurance to SDG 3: How insurance helps to "ensure healthy lives and promote well-being for all at all ages"

- Insurance and social protection can play complementary roles to cover a range of household health care costs.
- Insurance improves health-care seeking behaviour.

SDG 5: Achieve gender equality and empower all women and girls



There are gender differences in risks faced by women and men. These differences are driven by both biological and socio-cultural factors. Women may face different risks to men due to pregnancy and childbirth, as well as associated biological health risks during different stages of their life cycle. Women can also face greater vulnerability to a range of risks compared to men based on the socially constructed gender roles. Cultural factors related to the role of women mean that they shoulder greater responsibility for domestic chores and caring for children and elderly relatives. Generally, this work is unpaid and in many instances, it is in addition to paid work-related responsibilities or restricts more productive work and the accumulation of assets to provide women with a safety net. In some countries, these socio-cultural barriers to gender equality and women's empowerment are enshrined into law, which can restrict women's legal participation in society and the economy. For instance, women may require a male relative's permission and signature to obtain identification documents, a prerequisite to accessing health care or education. At the same time, women often outlive their male spouse, whom they may economically depend on. Thus upon the death of their husband, they can be left without income or assets to provide them with protection in the face of risk events.

In this context and possibly because of these risks and challenges, women are generally more open to risk

mitigation and protection than men. Insurance can help women reduce their financial reliance on others, and in turn, this independence can contribute towards their economic empowerment. As such, there is an emerging belief in a business case for insurance providers to target women as a customer segment and cover gender-specific risks for women and their families as beneficiaries.

Insurance offers protection for women working in the informal sector who often fall outside the reach of public social protection schemes. As unpaid family caregivers, self-employed vendors or informally paid day labourers, poor women are generally excluded from public social protection schemes. In the absence of government protection, microinsurance and micro pensions provided by the private sector or through public private partnerships can provide important and affordable safety nets.

Insurance protects women against the devastating effects of gender-related reproductive health risks. Some insurance companies, often in partnership with microfinance institutions, have developed promising approaches for health insurance that cover costs associated with pregnancy or sexually-transmitted diseases (see Box 4).

BOX 4. Providing for women's health and social needs through insurance – examples from Latin America

Many traditional insurance programs exclude maternity benefits, but several microinsurance programs are finding ways to include such coverage at an affordable price such as BancoSol in Bolivia, which as part of their health microinsurance package managed to negotiate a 7-month waiting period for maternity coverage.²⁸

For several years Pro Mujer – serving approximately 2 million women in Bolivia, Nicaragua, Peru, Mexico and Argentina – has provided basic credit life insurance to its financial services clients. In Nicaragua, Pro Mujer’s improved insurance product called “because of you, woman” provides a basic life benefit on the death of the breadwinner, typically the husband, to pay off the outstanding loan amount, helps defray funeral expenses up to USD 500 and provides a monthly stipend of USD 100 to the family for living expenses during the first year after the death of the breadwinner. In 2015, Pro Mujer Nicaragua, also introduced a critical illness (CI) coverage bundled with the existing life and accident coverage. The CI benefit provides a USD 700 lump sum payment to the woman upon first diagnosis of either breast or cervical/uterus cancer. The CI payment can be used for any purpose; such as treatment, medicines, transportation to hospital, income replacement or child care. Historical data from the health services programme made the design of the insurance coverage possible and the cost of the full insurance product is USD 1.12 per month. A similar product was launched in Pro Mujer Bolivia. Implementation in the other Pro Mujer operations is planned.²⁹

Insurance protects women from the financial impact of losing family members, helping women to retain their homes, sustain their businesses, continue education of their children, and generally maintain the financial stability of their household. Insurance products can protect women financially if they lose family members or outlive their husband, which is more often the case as women statistically live longer than men. The loss of a husband can negatively affect a woman’s welfare because of the lost income and possibly high expenses for the funeral,

as well as social norms which may hinder the ability of a widow to equally participate in society. Insurance can help women to cope with financial shocks and thereby avoid resorting to other coping strategies such as taking children out of school or borrowing money, which can have serious implications. Without insurance, the costs arising from a risk event are often disproportionately shouldered by women and for many years. At these critical life events, insurance can economically empower women.³⁰



Key messages on the contribution of insurance to SDG 5:

How insurance helps to “achieve gender equality and empower all women and girls”

- There are gender differences in risks faced by women and men.
- Insurance offers protection for women working in the informal sector who often fall outside the reach of public social protection schemes.
- Insurance protects women against the devastating effects of gender-related reproductive health risks.
- Insurance protects women from the financial impact of losing family members, helping women to retain their homes, sustain their businesses, continue education of their children, and generally maintain the financial stability of their household.

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



8 DECENT WORK AND ECONOMIC GROWTH



To reach inclusive and sustainable economic growth and employment, it is necessary to develop an enabling environment for enterprises of different sizes. The missing middle is a term used in developing countries, which describes an economic environment with some large enterprises and many small ones. Medium-sized enterprises are lacking in such markets. Hence, small enterprises need support to scale, while medium-sized enterprises require support to grow into larger sized enterprises and obtain external financing to invest in machinery, perform marketing, adopt environmental and social standards, train personnel etc.³¹ Many micro- and small-enterprises are found in emerging markets and significantly contribute to employment generation and the global economy. The insurance sector has been innovating to respond to their market potential, realising the latent financing demand of this segment including for insurance.

Insurance protects assets, thereby unlocking loans and other funds for investments by MSMEs. Insurance addresses the needs of MSMEs by providing a risk transfer mechanism, thereby freeing funds to allow them to invest in their businesses. Productivity generally depends on the potential to innovate and expand, which often depends on leveraging external funding. By supporting their investment capacities, insurance helps to leverage productivity gains. Additionally, it helps securing investment in premises, machinery and other productive assets. Further, it facilitates the securing of loans for such investments, as it allows the entrepreneur to prove that the assets are protected. Therefore, banks are more willing to lend to MSMEs with insurance protection.

Insurance frees MSME's private funds for productive investment. Allowing MSMEs to pay for risk protection in small instalments, insurance enables MSMEs to re-allocate funds they would have otherwise needed to reserve for potential future shock events towards investment in better technologies, product innovation, and ultimately income generating activities.

Insurance supports the development of MSMEs by protecting them from losses due to risks related to business, natural disasters or other catastrophes. Insurance sustains business activities after a natural disaster or other catastrophic event. Self-employed and low-income people have very limited abilities to develop and maintain the financial buffer needed to bring a business back after a shock. Insurance provides the funds to rebuild their businesses more rapidly. Box 5 provides two examples of insurance's positive contribution to the ability of MSMEs to recover after a shock.

Insurance helps to avoid child labour related risk financing (TG 8.7). Forced labour is economically-based and often the result of the family facing the disastrous effects of a shock such as the death of a family member who was the breadwinner. Indeed, in some cultures, indenturing children or forcing them to work for wages is a risk management strategy for those at or below the poverty line. In this way, insurance can be a much better risk management tool for these families. Therefore, insurance can play an important role in preventing the poor deploying their children as an economic strategy for survival.

BOX 5. Insurance supporting the recovery and stability of businesses

The French Non-Governmental Organisation and Microfinance Organisation ADIE introduced insurance offers into its financial services for the unemployed and MSMEs.³² The majority of their 42,500 active clients are welfare recipients with low levels of education and MSMEs, start-ups or small enterprises seeking to expand business. Lending is also often used to support the acquisition of job opportunities, e.g. for the purchase of a second-hand car or paying for driving lessons or vocational training, which in turn improves clients' value in the labour market. In 2008, ADIE developed four insurance plans protecting product liability, premises against fire, flood, water damages etc. and accident insurance. As of July 2015, ADIE had 2,900 active insurance contracts. Claims ratios are between 33% and 70%, depending on product type. Clients report that they appreciate the benefits: Lyazid coped with a burglary in her salon, appreciating the simple claims process and rapid processing within 10 days after having sent the papers.

Studies from the MicroInsurance Centre's Microinsurance Learning and Knowledge (MILK) Project have shown that in the face of a calamity, the top priority of low-income people (after the immediacy of eating and finding basic shelter) is restarting their business. In four studies that looked specifically at property insurance, recipients of microinsurance pay-outs overwhelmingly prioritized regaining their ability to generate income. For example, in Haiti, more than half claims pay-outs were saved or reinvested and in Colombia 66% was used to repay debt (thus preserving access to credit for future business development) and another 15% invested. Thus, insurance is a critical component of sustained economic development and employment.³³



Key messages on the contribution of insurance to SDG 8: How insurance helps to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”

- Insurance protects assets, thereby unlocking loans and other funds for investments by MSMEs.
- Insurance frees MSME's private funds for productive investment.
- Insurance supports the development of MSMEs by protecting them from losses due to risks related to business, natural disasters or other catastrophes.
- Insurance helps to avoid child labour related risk financing.

SDG 13: Take urgent action to combat climate change and its impacts



Due to the advance of climate change, natural disasters are expected to occur more frequently in future. Climate change threatens the development efforts of entire regions, negatively affecting families, businesses, communities and entire countries. Developing countries are likely to be the most affected.³⁴ Climate change induces negative effects which can already be observed globally, such as the rise of the sea-level due to melting polar caps; the desertification in many parts of the world due to a lack of rain; ocean acidification due to increased carbon emissions; and glacial retreat due to a rise of the average global temperature. Such changes have an especially harsh impact on the low-income populations of developing countries. This is because they often live in the most disaster-prone areas – e.g. their living places might be located near the coast, in drought-prone areas, or on hillsides. In many cases, climate change adaptation, such as in Belize where coastal fishermen were moved inland after hurricane Hattie, is necessary in order to mitigate the negative effects. However, adaptation measures might prove difficult, ineffective, costly and lengthy, and hence, are not always possible.

Furthermore, adaptation can only partly mitigate the effects of natural catastrophes.

Insurance mitigates the effects of extreme weather events, thereby strengthening climate change resilience (TG 13.1). The negative effects of climate change develop over a long period and thus they are not insurable as such. However, extreme weather events, which will rise in number and severity due to climate change, are insurable. Insurance comes into play as a complementary measure insuring the residual risk that cannot be mitigated effectively by adaptation measures. On a large scale, even governments can purchase insurance, e.g. to protect their infrastructure against weather extremes, disasters and natural catastrophes, to reduce inequality to their neighbouring countries (see Box 6). Many insurance products directed towards mitigating the negative financial consequences of disasters and natural catastrophes (often induced by climate change) for the population are focusing on the agricultural sector because weather fluctuations are a major risk factor for agricultural productivity.

BOX 6. Multi-country risk pooling

The Caribbean Catastrophe Risk Insurance Facility (CCRIF) was the first multi-country risk pool for countries and island states located in the Caribbean. Although its initial motivation was “to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity”³⁵ to affected countries, a positive side-effect of CCRIF is the reduction of inequalities among countries located in the same area: those countries hit by a disaster are receiving pay-outs to rebuild their infrastructure. Currently, the risk pool is formed by 16 member countries. A similar regional risk pool among African Union members operates in Africa (African Risk Capacity), and a pilot project is established in the Pacific Islands (Pacific Catastrophe Risk Insurance Pilot Program).

Insurance complements and strengthens other climate change coping efforts, such as awareness-raising measures and improving human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning systems. Direct and indirect insurance solutions are specific “coping measures” to climate change and should be included in national climate change plans accordingly. Insurance improves both human and institutional capacities to reduce the impacts of climate change. Families, MSMEs and other companies, public institutions and governments, all can rely on insurance when climate-related disaster strikes. Weather data and early warning systems can complement insurance and help to improve the feasibility of the insurance and the preparedness of those affected.

Catastrophe insurance protects a variety of stakeholders, from companies and infrastructure to the most vulnerable. Catastrophe insurance is provided primarily through index-insurance products, where claim pay-outs are triggered by a predetermined index, e.g. wind speed,

volume of flood waters, level of drought, and other calamity triggers, which are all potentially impacted by climate change. To date, these products have generally been limited in their effectiveness and ability to reach scale, but lessons have been learned which are currently used to improve existing and new schemes. Box 7 provides a successful example from the Philippines. These so-called climate risk insurance solutions³⁶ have stimulated political agendas, reflected in the discussions in the UN Framework Convention on Climate Change (UNFCCC) as well as by the respective G7 commitment. In 2015, the G7 decided to establish an initiative called “InsuResilience”. This is an initiative on climate risk insurance, aiming to mobilize several billion USD to finally increase access to direct or indirect insurance coverage against the impacts of climate change for up to 400 million poor and vulnerable people in developing countries by 2020. According to recent estimates, only about 100 million people in developing countries and emerging economies are currently covered by insurance schemes against climate risk.³⁷

BOX 7. Insurance mitigating the effects of Typhoon Haiyan

In 2012 in the Philippines, microinsurance played an important role in the recovery from Super-Typhoon Haiyan (Yolanda). Over 110,000 low-income people received insurance pay-outs amounting to over USD 12 million, which they used to restart their livelihoods. Microinsurance filled in a critical gap complementary to assistance provided by governments, NGOs, or international organizations. As a result of the confirmation that insurance can work for the poor, as this experience showed, many more people have been purchasing insurance in the aftermath of the typhoon. Insurance demand for weather event coverage is among the highest in the Philippines.



Key messages on the contribution of insurance to SDG 13:

How insurance helps to “take urgent action to combat climate change and its impacts”

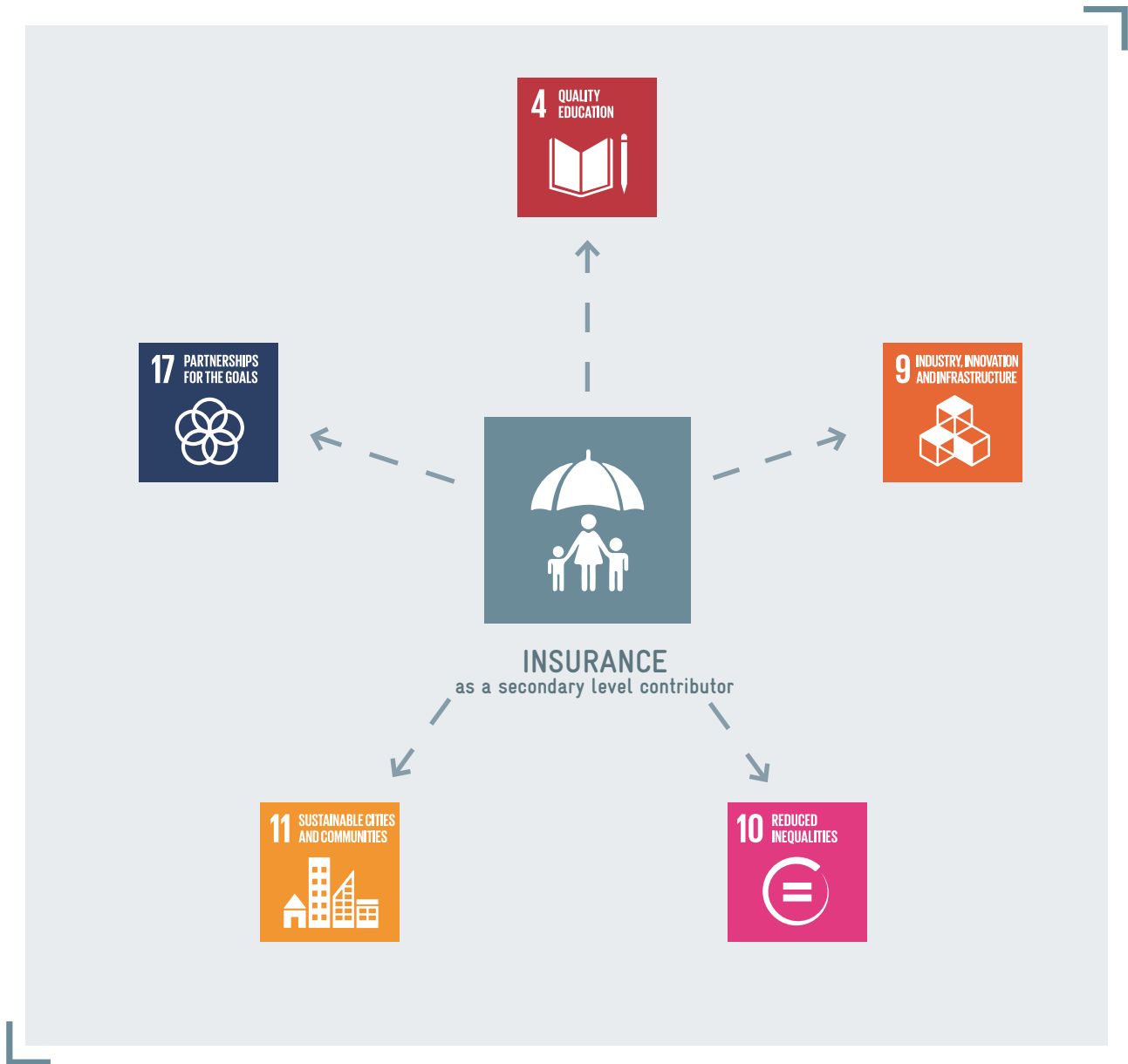
- Insurance mitigates the effects of extreme weather events, thereby strengthening climate change resilience.
- Insurance complements and strengthens other climate change coping efforts.
- Catastrophe insurance protects a variety of stakeholders, from companies and infrastructure to the most vulnerable.



3.2. Insurance as a secondary level contributor to five SDGs

Where insurance is a secondary level contributor to insurance, the relevance of insurance and its effect on the respective SDG is indirect and less obvious than to the

primary level SDGs mentioned above. However, insurance is still relevant to the following five SDGs:



SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



4 QUALITY EDUCATION



Insurance can help families maintain access to education.

Once a shock happens to the family or business, poor families can often no longer afford to invest in the education of their children. A life insurance policy or another form of insurance plan can help to sustain the cash-flow

for the family and ensure that children's education is not impacted as a coping strategy. Some insurance products are offering an additional educational savings component, recognizing the demand of low-income populations to have funds available to pay for children's education.

SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Insurance protects investments. This is the case for both small and large firms, and for investments of governments. This also increases the willingness of banks to lend to

firms (see also SDG 8), and insurance can help foster innovation through covers that limit the risk of innovation.

SDG 10: Reduce inequality within and among countries



Insurance complements government social protection schemes. Governments are trying to reduce societal inequalities by providing social protection for the poorest of the poor. Meanwhile, microinsurance targets low-income families and protects those who otherwise would not have access to any formal protection.

Insurance can help mitigate the development differences of a group of countries as this is the case in large multinational insurance schemes, such as the Caribbean Catastrophe Risk Insurance Facility or the African Risk Capacity, as discussed above in SDG 13. When a region is hit by disasters, countries receive pay-outs relative to the damage they experienced. With those funds, they are able to rebuild their infrastructure.

SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable



Insurance makes human settlements more resilient. Property covers help to retain investments of individuals, businesses, local and national governments. Economic disparities, which often lead to safety concerns, can be

exacerbated by a lack of insurance pushing people further into poverty. Effective resilience requires some external risk diversification which is a core reason for insurers.

SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development



17 PARTNERSHIPS
FOR THE GOALS



The positioning of insurance within the global development agenda is important. This involves integrating insurance within stakeholder engagement and profiling

best practices during engagement in the global partnership for sustainable development.



4. IMPLEMENTING INCLUSIVE INSURANCE

To enable broad-based access to inclusive insurance requires the engagement of a multitude of stakeholders from the private and public sector, covering different areas of expertise. Inclusive insurance as an integral part of

financial systems development is increasingly a cross-cutting approach, adopted to contribute to the goals of other development agendas, such as food security and agricultural, rural and private sector development.

4.1. Fostering insurance within the financial systems development agenda

A holistic approach to financial systems including insurance market development forms the basis for insurance to contribute to the achievement of the SDGs and their targets. This approach comprises activities at all three levels of the financial system, which need to be implemented simultaneously³⁸:

- **Activities at the macro level:** Policies enable coordinated engagement and support from governments. Effective laws, regulations and supervisory structures create a legal certainty for the insurance industry and for consumer protection. In these areas, proportionate approaches create an enabling business environment and ensure that insurance businesses comply with standards related to their products and operational practices, including transparency related to their performance. These standards also protect consumer rights and access to accurate information about the insurance products they are purchasing, which is particularly important in a context where there can be low levels of knowledge among consumers about insurance.
- **Activities at the meso level:** Service providers, which include associations, actuaries, market researchers, information technology providers and training institutes, engage in capacity building of diverse stakeholders and provide support which is based on good business practice. Sector dialogue fosters public-private coordination. Private investments are leveraged to develop public goods, such as sector information, client data, morbidity and mortality tables, as well as to implement sector-wide measures to improve consumer education and protection.
- **Activities at the micro level:** Insurers and intermediaries develop and distribute “SUAVE” insurance products that are “Simple, Understood, Accessible, Valuable and Efficient”.³⁹ Among those are commercial insurance companies or the mutual type of providers, such as cooperative insurers or mutual benefit associations. Distribution channels include traditional outlets such as microfinance institutions but also innovative avenues, such as mobile network operators, retail chains or payment platforms. These providers need to train their staff, establish new systems, and develop and promote products that are demanded and also valued by clients. They need to link with other actors and treat consumers fairly. Consumer education is also an imperative to make the consumer understand and use insurance effectively.

Leveraging the potential of insurance requires long-term investments in all these areas to develop the financial sector and support for national engagement processes with diverse public and private stakeholders.

4.2. Integration of insurance into other development agendas

To conclude, insurance is an important tool to achieve the UN’s Sustainable Development Agenda, its goals and targets. Considering the three intervention levels will allow providing social and economic protection by way of making high-quality insurance services broadly available.

Inclusive insurance can contribute to the SDGs in the following ways:

- To provide a buffer to stop the vicious cycle of poverty and contribute towards poverty alleviation.
- To build resilience – for women, families, businesses and even, infrastructure.
- To support the formalization, growth and productivity of MSMEs.

- To contribute to an enabling environment for enterprises of different sizes and in turn foster investment, economic growth and employment.

A concerted global effort to promote inclusive insurance is necessary to leverage its contribution to the

achievement of the SDGs. Insurers, government agencies, civil society, academics, and international development cooperation – indeed all those involved in the multitude of development agendas – need to act now to use inclusive insurance as a strategy to achieve the SDGs.





ANNEX 1: INSURANCE CONTRIBUTION TO THE SDGs AND OTHER DEVELOPMENT AGENDAS

Level of the Contribution		1°	2°	Other development agendas
 1 NO POVERTY	No poverty	×		Rural development, Poverty alleviation, all policy agendas
 2 ZERO HUNGER	Zero hunger	×		Agriculture, Food security
 3 GOOD HEALTH AND WELL-BEING	Good health and well-being	×		Social protection
 4 QUALITY EDUCATION	Quality education		×	Education
 5 GENDER EQUALITY	Gender equality	×		Women
 6 CLEAN WATER AND SANITATION	Clean water and sanitation			
 7 AFFORDABLE AND CLEAN ENERGY	Affordable and clean energy			
 8 DECENT WORK AND ECONOMIC GROWTH	Decent work and economic growth	×		Employment generation, MSMEs
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, innovation and infrastructure		×	
 10 REDUCED INEQUALITIES	Reduced inequalities		×	
 11 SUSTAINABLE CITIES AND COMMUNITIES	Sustainable cities and communities		×	Urban development
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible consumption and production			
 13 CLIMATE ACTION	Climate action	×		Climate change
 14 LIFE BELOW WATER	Life below water			
 15 LIFE ON LAND	Life on land			
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Peace, justice and strong institutions			
 17 PARTNERSHIPS FOR THE GOALS	Partnerships for the goals		×	



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- 1 United Nations A/RES/70/1, 2015, p.6/35.
- 2
 1. Eradicate extreme poverty and hunger;
 2. Achieve universal primary education;
 3. Promote gender equality and empower women;
 4. Reduce child mortality;
 5. Improve maternal health;
 6. Combat HIV/AIDS, malaria and other diseases;
 7. Ensure environmental sustainability;
 8. Global partnership for development.
- 3 The term “inclusive insurance” describes a strategy to promote broad-based access to insurance for the “un- and underserved” and includes different classes of insurance. In this paper, we use the term “insurance” as a synonym for “inclusive insurance”.
- 4 United Nations A/RES/70/1, 2015, p.3/35.
- 5 United Nations A/RES/70/1, 2015, p.10/35.
- 6 Ibid.
- 7 A risk event is a discrete specific occurrence or event with negative consequences such as a car accident or an illness. A shock is a negative unexpected event such as the death of a family member or failure of crops due to an absence of rainfall. In this paper, these words are being used interchangeably.
- 8 A coping mechanism is a way in which external or internal stress is managed, adapted to or acted upon.
- 9 A risk mitigation strategy consists of steps to reduce adverse effects from shocks and risks.
- 10 Middle-income people in developing countries are often not covered by insurance and one single risk event can plunge them into poverty, and as such they are a target segment for inclusive insurance.
- 11 Risk management strategies can be classified as prevention, mitigation, and coping. Insurance belongs to mitigation strategies.
 - (i) Prevention strategies reduce the probability of an adverse shock occurring. They include investment in irrigation infrastructure that reduces risk of droughts or engagement in hygiene and other disease prevention activities.
 - (ii) Mitigation strategies are implemented before a shock and reduce the potential impact if the risk were to occur, e.g. through diversification of livelihood strategies or insurance. Finally, (iii) coping strategies include financial services (individual dissaving and borrowing), reciprocity based schemes and social welfare programs to deal with ex-post effects once the risk has occurred. (World Bank 2003, Social Risk Management: The World Bank’s Approach to Social Protection in a Globalizing World).
- 12 Cf. United Nations A/RES/70/1, 2015, p.14/35.
- 13 Cf. Zimmerman, E. et al., 2013, p.7.
- 14 United Nations A/RES/70/1, 2015, p.15/35
- 15 Microinsurance focuses specifically on the low-income population with insurance products, services, and processes that meet the needs of low-income people as well as MSMEs.
- 16 Cf. Zimmerman, E. et al., 2013, p.6.
- 17 United Nations A/RES/70/1, 2015, p. 15/35.
- 18 Federal Ministry for Economic Cooperation and Development (BMZ), 2016, p.16.
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- 30 IFC, AXA and Accenture, SheforSHIELD, Insure women to better protect all, 2015, p.13.
- 31 Cf. GIZ, n.d., p.6.
- 32 Cf. Gautier, B., 2015, p.3ff.
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- 34 Warner, K. et al., 2013, p. 9f.
- 35 <http://www.ccrif.org/content/about-us>.
- 36 Climate risk insurance can be held by the individual, a group or a government (for parts or the entire population).
- 37 Cf. GIZ, 2015, p.4.
- 38 Cf. BMZ, 2009, p.17.
- 39 MicroInsurance Centre, 2011.



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