Insurance and Risk Finance Facility

UNDP

Inclusive insurance and risk financing in Uganda

Snapshot and the way forward 2024

Why this report?

This report summarizes the key findings of an inclusive insurance and disaster risk finance country diagnostic conducted by the UNDP's Insurance and Risk Finance Facility (IRFF) and UNDP Uganda. The objective of this summary report is to present a high-level overview of the following information for the Republic of Uganda:

1. **Key risks**, especially climate risks
2. The current state of **inclusive insurance**
3. The current state of **disaster risk finance**
4. **Recommendations to advance** inclusive insurance, disaster risk finance and overall development.

This summary is a starting point for discussion and collaborative action planning on inclusive insurance and disaster risk finance between UNDP and critical stakeholders, including the insurance sector, government agencies and other development sector actors.

IRFF goals

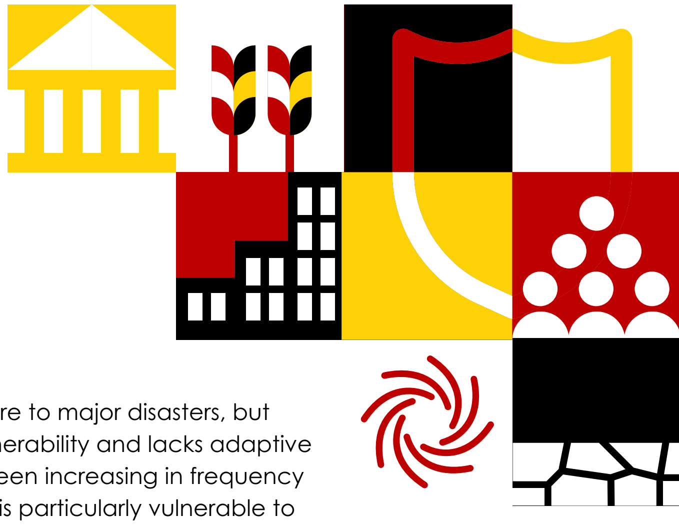
Impacts: Reduced vulnerability, enhanced resilience of countries and communities and strengthened prospects for sustainable development.

Outcomes: Country and community long-term resilience improved by development and delivery of integrated insurance, risk finance and investment solutions, from products, tools and services all the way leading to market transformation.

Contact IRFF for questions:
If you wish to discuss the findings and recommendations of this report, reach out to:

irff@undp.org

Key messages



1

Risks: Uganda has relatively low exposure to major disasters, but when shocks occur, it has very high vulnerability and lacks adaptive capacities. Disasters in Uganda have been increasing in frequency over the past 20 years and the country is particularly vulnerable to drought and floods.

2

Inclusive insurance: The microinsurance market grew quickly between 2019 and 2021, but currently, microinsurance policies number far below 1 million. However, the picture is complicated by the fact that microinsurance is also offered by traditional insurance companies, but limited data are available on these policies, since traditional insurers are not required to report data on their microinsurance offerings. The lack of a succinct definition for microinsurance exacerbates the problem, but the Government is in the final stages of drafting new microinsurance regulations, which will hopefully address this challenge. The reach of the Uganda Agricultural Insurance Scheme rapidly increased from 2022 to 2023, but a National Health Insurance Scheme has not yet been implemented, despite a bill having been passed by Parliament. Alternative distribution channels, for example using mobile phones, are poised to expand, supported by an enabling environment.

3

Disaster risk finance: Uganda is largely reliant on ex-post financing instruments, such as emergency releases of supplementary budgets and donor assistance. No comprehensive disaster risk finance strategy is in place, although the National Policy for Disaster Preparedness and Management provides for its creation. The Disaster Risk Finance Technical Working Group inception meeting took place on 23 October 2023 and is facilitated by the Climate Unit of the Ministry of Finance, Planning and Economic Development (MOFPED). Efforts are made to gather and report disaster data in Uganda, but they are not currently centralized.

4

Key recommendations: To support inclusive insurance development, interventions are proposed on: monitoring, assessing and strategizing awareness-raising efforts; improving understanding of clients' needs and developing appropriate responses: adopting a phased approach to testing the National Universal Health Insurance programme; supporting the implementation of a better definition of microinsurance and developing actuarial capacity; promoting the involvement of Savings and Credit Cooperatives (SACCOs) as microinsurance distribution channels; and enforcing monitoring of all microinsurance business. To improve disaster risk financing (DRF), key interventions recommended include: supporting the strengthening and coordination of data collection structures; building capacity for risk modelling; investing in developing capacity for analysis and presentation of disaster risk data; supporting the Government's capacity on disaster risk management and DRF; providing technical assistance to develop a DRF strategy and prepare for its implementation; supporting the identification and costing of different DRF tools; developing a suitable approach and systems for reaching vulnerable populations with DRF instruments; and providing technical assistance to develop understanding of underutilized instruments such as insurance and carbon trading for DRF.

Uganda's development and risk profile

Key macroeconomic and development indicators

Uganda is a least developed country, although steady growth is predicted in real gross domestic product (GDP) in the coming years.[5]

43.4 million customers had mobile money accounts in Uganda in 2023, as mobile money fast becomes a significant contributor to financial inclusion in the country.[6] As of 2021, 65.9% of adults aged 15 and above had an account at a financial institution or with a mobile money service provider.[7] Between 2018 and 2023, women's financial inclusion grew from 54% to 62%.[8]

23.8% of GDP in 2023 came from agriculture, while industry made up 26%, making them key sectors in Uganda's economy.[1]

73% of the estimated 48.6 million population in 2023 lived in rural areas, where the majority earn their primary living from agriculture and are the most likely to be poor.[2] Most households trapped in the subsistence economy are female-headed.[3]

69% of the population had a mobile connection in 2023, and 54% had a mobile broadband connection. The country's Mobile Connectivity Index score is 42.3, above the sub-Saharan African average. As of January 2024, there were 13.3 million internet users and 33.3 million mobile connections in Uganda.[4]

Geographic context:

Uganda is a landlocked country in East Africa, lying on the equator. The central part is a plateau, surrounded by four main mountain ranges. The country lies almost completely in the basin of the River Nile and is rich in surface water, with many large lakes and multiple rivers. Uganda's climate is largely tropical with two rainy seasons per year, except in the northern region which has only one rainy season. The Ethiopian Rift Valley runs through Western Uganda, making it a seismically active region.[9]

Hazard context:

Uganda is considered to have relatively low risk overall, ranking 126th of 193 countries according to the 2023 World Risk Report. However, although it has relatively low exposure to major disasters, it has very high vulnerability when those shocks occur.[10] Disasters in Uganda have been increasing in frequency over the past 20 years.[11] During 2019–2020 alone, excluding the COVID-19 pandemic, disasters in more than 70 districts affected about 800,000 people and displaced 21,000 families.[12] The World Bank estimates the long-term average annual disaster loss to be about US$55 million.[13]

Key risks and hazards

Drought

Drought is the hazard that causes the highest economic losses and affects the most people, especially because of the importance of the agricultural sector in the country's economy and the susceptibility of crops and livestock to water scarcity.[20] Although droughts are less frequent than floods, they are of greater severity. Between 1980 and 2022, severe drought has affected more people than all the other natural disasters over the same timeframe – 4,968,000 in total.[21]

On average, 4.5 million people a year are affected by water scarcity. Central and north-eastern Uganda are the areas most impacted by drought, with the north-east being a high-risk region.[22]

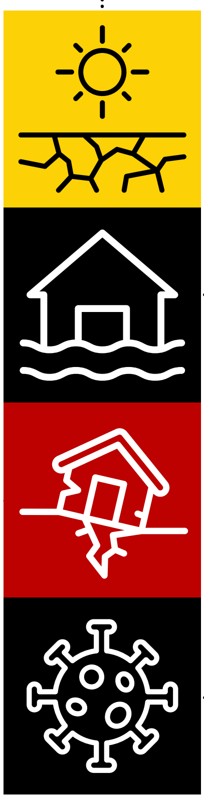
It is estimated that a one in five-year drought event causes an average economic loss of $289 million. However, more severe events can cause even greater damages: losses and damage from the 2010–2011 drought were estimated at $1.2 billion.[23]

Earthquakes

Earthquakes are a medium-frequency risk in Uganda.[24] There were five reported earthquakes between 1980 and 2022. [25] The highest seismic risk is along much of the western border.[26]

The most recent earthquake in 1994 caused $70 million in damages to buildings, exacerbated by the shallow depth of the earthquakes in the country.[27]

An earthquake capable of causing strong ground shaking would be expected to occur about once in a person's lifetime, and would cost an estimated $200 million in building damage.[28]



Floods

Flooding is a significant risk in Uganda, both in terms of frequency and of the cost of damage.[14]

Flood risk is distributed and variable across Uganda, but it is particularly concentrated in the north-western region along the White Nile; in the south along the Semliki River on the border with the Democratic Republic of Congo; in the central region, east of Lake Kyoga and Lake Nakuwa; and in the region around the southern lakes in Rakai, Isingiro and Kiruhura districts.[15]

The greatest flood potential occurs during and following the March to May rainy season. On average, up to 45,000 people could be affected by floods each year.[16] Flooding causes displacement, deaths, loss of crops and livestock, and damage to public buildings like schools, health facilities and transport infrastructure.

It is estimated that a one in two-year flood results in economic losses of $140 million on average, but more severe floods can significantly increase this cost.[17]

Epidemics

Uganda has a high incidence of epidemics, which represent the country's most frequently occurring risk.[18] Epidemics such as cholera, meningococcal disease, measles and yellow fever occur nearly every year, but are low severity events. However, the Ebola outbreak in late 2022 was a major macroeconomic shock for the country.[19]

Inclusive insurance[29]: Status

Enabling environment element

Stakeholders

Insurance Regulatory Authority (IRA)

- The IRA, an autonomous agency under the Ministry of Finance, Planning and Economic Development (MOFPED), is responsible for regulating and supervising the insurance market.
- With the tagline "Driving Insurance Growth", it has shown itself to be a proactive and flexible regulator for microinsurance development.
- The IRA, with support from Financial Sector Deepening Uganda (FSD Uganda), has improved its ability to regulate and supervise for responsible innovation, including through increasing communication with fintech; conducting an annual innovation awards event; evolving the product approvals process; and issuing regulatory sandbox guidelines.[30]

Agro Consortium (AIC)

- AIC is a consortium of 14 insurance companies, including one microinsurance company, which underwrites products for the Uganda Agriculture Insurance Scheme (UAIS).
- AIC has the mandate to administer the scheme on behalf of all 14 members and receives financial support from MOFPED (both directly, through premium subsidies, and indirectly, through funding for awareness campaigns).[31]

Uganda Insurers Association (UIA)

- All licensed insurers in Uganda are mandated to join UIA.
- The UIA strategy encourages and promotes close cooperation, fair competition and the exchange of business among members. As part of this, it has helped to manage certain products with members, including motor third party insurance and business for oil and gas.
- UIA helps to build knowledge among members through research and capacity-building, influences the enactment of favourable legislation, and represents the views of membership to government and private bodies.
- UIA are working with FSD Uganda on digital transformation beyond distribution for insurers.

Regulations

The Insurance Training College (ITC)

- ITC is the training arm of the Ugandan insurance industry. In 2019 it partnered with FSD Uganda and the International Labour Organization (ILO) Impact Insurance Facility to build inclusive insurance capacity in the industry by providing microinsurance training for practitioners, along with a Training of Trainers module.
- By 2020, approximately 400 people were trained and seven people were certified as trainers of microinsurance.

Insurance Act

- The Insurance Act 2017 (along with its first enabling regulations, issued in December 2020) expanded the IRA's mandate from market soundness and consumer protection to include market development.

Actuarial Association of Uganda

- The Actuarial Association of Uganda has been an associate member of the International Association of Actuaries (IAA) since 2012. However, according to the Institute and Faculty of Actuaries (IFoA) member directory, there is only one qualified actuary in Uganda as of 2023. The remaining people working in the actuarial profession in Uganda are still pursuing actuarial qualifications.
- Actuarial capacity in Uganda is being developed by the Global Actuarial Initiative (GAIN), a partnership between UNDP and Milliman to help build the actuarial profession in UNDP partner countries, including Uganda.[32]

Inclusive insurance related regulations

- The Interim Micro Insurance Guidelines 2016 aim to promote the development of the microinsurance market through sustainable and innovative products that meet the needs of low-income consumers. The guidelines are intended to facilitate a transition to formalized microinsurance provision when the forthcoming microinsurance regulations are enacted.[33]
- As of 2023, new microinsurance regulations were being drafted by the Office of the First Parliamentary Council, Ministry of Justice and Constitutional Affairs.[34]
- The definition of microinsurance in the Interim Guidelines is any policy where the sum insured does not exceed 10 million Ugandan shillings (UGX, $2,690)[35] and where the policy has been specially approved by the IRA as such. However, this means many conventional products which have covers lower than that sum can take advantage of microinsurance regulatory benefits, such as VAT exemption.[36]
- The IRA recognizes that the definition of microinsurance in the Interim Guidelines is too broad and the creation of a new definition is in process within the National Insurance Policy Framework.
- The Mobile Insurance Regulations 2020 provide the basis for offering insurance products with mobile operators used as distribution channels, whether as an agent, master group policyholder or platform-only provider.[37]
- The Index Contracts Regulations 2020 provide the basis for offering parametric (index-based) insurance.
- The Insurance Regulatory Sandbox Guidelines 2020 were issued with the aim of encouraging fintech experimentation and innovation to improve efficiency and access to insurance services.

Policies / Plans

Ugandan National Insurance Policy (NIP) Framework

- The draft NIP has been approved by the IRA and aims at enabling all Ugandans to access affordable insurance to build sustainable incomes and livelihoods. The draft has been submitted to MOFPED for clearance and ownership.[38]
- The NIP highlights critical issues that need to be resolved to inform insurance growth, development, harmonization and integration with the East African Community (EAC) insurance agenda in support of the East African Monetary Union (EAMU) objectives.
- There is no stand-alone strategy or road map for microinsurance.

National Financial Inclusion Strategy

- The National Financial Inclusion Strategy II (2023–2028) was launched in November 2023 with leadership of MOFPED and the Bank of Uganda for approval.[39]
- The previous National Financial Inclusion Strategy 2017–2022 included a target to increase the percentage of adults using at least one insurance product from 2% to 7%, or about 1.8 million adults, by 2022.[40] Outside of basic credit life products, this goal has not yet been met.

Financial education initiatives

- The IRA has allocated finance towards awareness-raising.
- MOFPED funds awareness campaigns related to the UAIS.

Supply-side snapshot

Overall insurance coverage (traditional and inclusive): Fast facts[41]

34 risk carriers make up the Uganda insurance market: 20 non-life insurers, 8 life insurers, 5 microinsurers, 2 health maintenance organizations (HMOs) and 2 reinsurance companies.[42]

0.885% was the insurance penetration rate (GWP as a percentage of GDP) in 2022, showing a slight year-on-year growth from 2020

$387.7 million gross written premiums (GWP) was the size of the insurance market in 2022, up from $318.5 million in 2021, with non-life insurance accounting for 62.3%. This reflects a nearly 22% growth rate, almost double the 11% growth between 2020 and 2021.[43]

Inclusive insurance: Fast facts

- Microinsurance products are offered by microinsurers as well as by traditional insurers. However, traditional insurance companies are not required to report on microinsurance.
- From microinsurance companies alone, microinsurance grew in absolute terms to $85,000 in 2021, representing over double the total premium amount in 2019. A decline in microinsurance business followed in 2022, but premiums are likely to increase going forward, given that three of the industry's microinsurers only received licences in July 2023.[44]
- Microinsurance (excluding credit life) coverage is estimated to be between 500,000 and 750,000 people.

Products offered

Inclusive insurance offerings are limited. If inclusive insurance offerings in Uganda are to increase, it is vital to strengthen the insurance sector's capacity in actuarial expertise, insurance product development (particularly parametric crop insurance) and other crucial skills such as marketing.[45]

Health Insurance

- Health insurance and community payment mechanisms cover only an estimated 2% of the health expenditures of low-income individuals in Uganda.
- The National Health Insurance Scheme Bill 2019 was passed by Parliament in March 2021, but has not yet been signed off or implemented.[46] In parallel, efforts have been made to implement universal health insurance through district laws, such as in Luwero District, where the Luwero District Community Health Insurance Scheme was proposed in 2018. [47] However, Luwero's proposal was rejected at national level.
- Hospital cash microinsurance products are embedded in some loans. However, with a premium of UGX 5,000/month ($1.35), these products are considered expensive.

Agricultural insurance

- Agricultural insurance is offered under the Uganda Agriculture Insurance Scheme (UAIS). The second phase of the programme began in fiscal year (FY) 2021/22 and will run until FY 2024/25.
- The UAIS subsidizes 30% to 80% of agricultural insurance premiums depending on farm size and location.[48]
- The number of insured farmers under the UAIS has increased over sixfold, from 55,874 in FY 2018/19 to over 338,000 in the first nine months of FY 2022/23.
- By the third quarter of FY 2022/23, Area Yield Index Insurance (AYII) had the largest outreach of all products offered, covering 333,158 people. Multi-Peril Crop Insurance covered just over 75,000 farmers, but is most suited for large- and medium-scale farmers. Weather Index Insurance had the third highest reach of farmers covered and sum insured of all products. [49]
- Livestock, aquaculture, poultry and plantation insurance were the other agricultural insurance products offered, but the number of these policies sold has been minimal and they have not been targeted at low-income producers.[50]
- Indexed-based Livestock Insurance (IBLI) is planned to be introduced in the context of the World Bank's De-risking, Inclusion and Value Enhancement (DRIVE) project from 2024.[51] The planned subsidized product will protect pastoralists against loss of pasture due to drought as a form of asset protection, rather than mortality cover for the livestock.

Distribution

Common channels

Distribution of microinsurance is primarily through agents and bancassurance channels such as microfinance institutions.

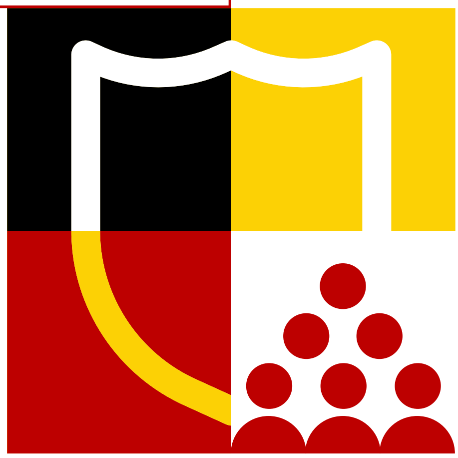
Other potential channels

- Savings and Credit Cooperatives (SACCOs) are the predominant financial service provider for lower income markets, but they have very limited involvement in microinsurance, partly due to regulation.
- Crop microinsurance products under the UAIS have been tested with non-governmental organizations and offtakers, and could be further explored. In September 2023, AIC trained village group leaders to act as specialized agents and a revised Memorandum of Understanding is operational between the Ministry of Agriculture, Animal Industry and Fisheries, IRA and UIA/AIC for public extension workers to support distribution.
- Mobile insurance distribution has the potential to expand, particularly in light of the Mobile Insurance Regulations 2020, as well as the National Payment Systems Act 2020, which has expanded mobile payment channels.[52] The insurance broker aYo has already partnered with the mobile network operator MTN to provide insurance that helps cover hospitalization and funeral expenses.
- The role of fintech in distribution is also being explored: as of the end of 2023, nine companies had taken part in or been admitted to the IRA regulatory sandbox focused on fintech in insurance.[53]
- The Uganda Bankers Association through the Agent Banking Company provides access through an agent platform to 26,000 agents across the country. A pilot test is assessing whether microinsurance can be integrated in this platform.
- Under the FSD Uganda Microinsurance Challenge, health insurance cover was embedded with loan repayments on pay-as-you-go solar energy solutions provided by Fenix. The one-year pilot ran from 2019 to 2020 and covered almost 43,000 people, but the product was discontinued after a solar energy company merger.[54]

Demand

- Two assessments on demand provide insights into the market:[55]
- The main risks faced by the informal sector include price shortfalls, loss of harvest or crop failure, and unexpected expenses such as medical or funeral costs.
- Some form of informal insurance protection was held by 40% of adults, for example through membership in savings groups, burial societies or community health schemes.
- The main reason that people reported for not having insurance was awareness: 75% of respondents reported not knowing how it works, its benefits or how to get it. The second most reported reason was affordability, with 20% citing cost as the primary reason.
- The key features valued by study participants were medical-related coverage, simplified documentation, affordability and diversity of products.[56]

In addition, Finance Trust Bank, as a distributor, noted a demand for almost any microinsurance product of value for their women clients, including women-focused health products.



Disaster risk financing: Status

Disaster risk assessments and data systems

The National Risk and Vulnerability Atlas of Uganda was launched in 2021. Compiled by the Department of Relief, Disaster Preparedness and Management (DRDPM), it identifies risks by type, district, frequency and magnitude of impact.[57]

The Annual State of Disasters Report was first issued in 2020, published by DRDPM.

Early Warning Systems (EWS):

- The Uganda National Integrated Multi-Hazard EWS monthly bulletin is published by the National Emergency Coordination and Operations Centre and provides weather and hazard data from the prior month and projections and alerts for the coming month.[58]
- The Government is piloting real-time telemetric water level monitoring stations and implementation of a flood early warning system (FEWS) for the river Nyamwamba.
- Under the Third Northern Uganda Social Action Fund (NUSAF III), an index was developed to detect the earliest signs of drought. This monitoring has led to ongoing seasonal assessments.[59]
- Under the European Union-funded Pro-Resilience Action Project (ProAct), the Office of the Prime Minister (OPM) is working with the World Food Programme and the Food and Agriculture Organization to strengthen shock response systems in Karamoja through EWS, as well as to build capacity to support communities' management of shocks.[60]

Existing legal, institutional and policy frameworks

Legal

The legal framework on disaster risk management (DRM) and DRF is currently incomplete. No comprehensive disaster risk finance strategy is in place. A Disaster Risk Management Bill has been in preparation since 2016 and could provide the framework for future DRF strategies and policies. However, as of September 2024 the bill had not been ratified by Parliament. Key components expected in the bill are differentiating states of disaster from states of emergency; including provisions for DRF; and clarifying the roles and responsibilities of public and private stakeholders.

Institutuional

- The Department of Relief, Disaster Preparedness and Management (DRDPM) is part of the OPM and is responsible for disaster preparedness, management, coordination, risk reduction, prevention and response, though not specifically financing.
- The National Emergency Coordination and Operations Centre (NECOC) reports to DRDPM and oversees the coordination of disaster response. In addition to its monthly bulletin, it is also responsible for training and knowledge management and community resilience efforts.
- The Climate Change Department (CCD) of the Ministry of Water and Environment (MWE) was established as a result of the National Climate Change Act 2021. Supported by the World Bank, the CCD is taking the lead on identifying and mobilizing climate change financing. Its work on climate change involves coordination, policy guidance, advocacy, awareness, monitoring and vulnerability assessments, reporting and implementation. With MOFPED, MWE jointly coordinates the Environment and Climate Development Partners Group of NGOs in Uganda, which meets quarterly.
- Uganda National Meteorological Authority (UNMA) sits under MWE and is responsible for establishing and maintaining the weather and climate station network, as well as collection, analysis and production of weather and climate information.
- The Climate Finance Unit (CFU) of MOFPED was launched in 2022 and leads Uganda's transformational change in access to climate finance. It is based on Uganda's national climate action plans and priorities and supported by coherent, programmatic finance from multilateral and bilateral partners.
- The Disaster Risk Finance – Technical Working Group, launched in 2023, has members drawn from DRF-related entities within the Government and development organizations operating in Uganda. It is chaired by OPM and aims to coordinate on DRF in Uganda.

Policies

The National Policy for Disaster Preparedness and Management (NPDPM) was adopted in 2011 and provides policy guidance for both natural and human-caused disasters. The NPDPM calls for the creation of a National Disaster Preparedness and Management Fund Bill and instructs the Ministerial Policy Committee to ensure that sectoral ministries identify and allocate resources for disaster preparedness and management in their sectors.

Disaster risk finance mechanisms and instruments

Existing ex-ante instruments:

- The Government of Uganda Contingency Fund is non-accumulating and has been operational since 2018. According to the Public Finance Management Act (Amendment) 2015, it is supposed to be funded by the equivalent of 0.5% of the prior fiscal year's total national budget, but since inception it has received less than 0.2% annually.
- Contingent credit is only used for the Development Response to Displacement Impacts Project (DRDIP) and NUSAF. For disaster response, Uganda has the option to access the three World Bank instruments: Rapid Finance Facility (RFF); Catastrophe Deferred Drawdown Option (Cat-DDO); and the Crisis Response Window (CRW) for slow onset perils. However, it has not yet accessed any of these instruments.
  » NUSAF III included a $12 million DRF component to strengthen resilience to drought, which triggered cash transfers and scaling-up of temporary employment to support communities during and immediately following a disaster.[61]

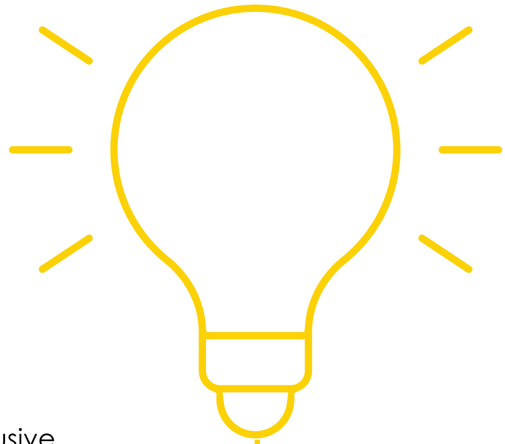
Potential or pipeline ex-ante instruments:

- The National Disaster Preparedness and Management Fund was envisaged under the NPDPM policy to include government financing of a minimum of 1.5% of the annual approved budget. However, MOFPED has suggested that the existing Contingency Fund should take this place.
- Sovereign risk insurance has potential to be expanded. Uganda is not part of any of sovereign risk pool. However, in 2018, the Government signed a Memorandum of Understanding with African Risk Capacity (ARC) to pilot its Outbreak and Epidemic Parametric Insurance Programme.[62]
- Public asset insurance is not in place. In 2019, the Government developed an Asset Management Framework and Guidelines, which determine the types of assets to be insured and the conditions for insuring them. The IRA was charged with piloting a public asset insurance programme and is in the process of identifying strategic public assets for the first phase.[63]

Existing ex-post instruments:

- Supplementary budgets are reallocated budget funds authorized by the Cabinet during an emergency and released by MOFPED.
- Donor assistance funds both disaster response and prevention activities. The Government of Uganda received $39.3 million in disaster-related donor funding between 2007 and 2016, of which 54% was used for emergency response and 41% was used for disaster prevention and preparedness.[64]
- Sovereign borrowing is available to MOFPED, which may borrow funds under terms that must be approved by Parliament.

Way forward for inclusive insurance and disaster risk financing



The following recommendations support the development of inclusive insurance and disaster risk financing in Uganda.

1 Recommendations for the development of inclusive insurance

1.1 Awareness-raising efforts are funded, but little monitoring has been carried out to ascertain how successful efforts are in expanding inclusive insurance and improving people's risk outcomes.

Monitor, assess and strategize awareness-raising efforts.

- A system for monitoring awareness efforts should be created and the return on investment in awareness funding should be determined.
- People in the target markets should be engaged to understand how they become aware of insurance and what they trust. Awareness plans should be tested in cooperation with target populations.
- Efforts should be made to identify and understand how the target market gets its information, including the channels, thought leaders and individuals that might be effective in spreading awareness.

1.2

Most insurers lack an understanding of the inclusive insurance target market, which holds back successful development of products and services.

Support the sector to improve understanding of clients' needs and to develop appropriate responses.

- The IRA could introduce a more qualitative definition of microinsurance that requires insurers to show that their product is derived from market research. Insurers could satisfy this requirement by reaching a better understanding of the market through focus groups or quantitative studies and developing prototypes based on what was learned.
- Innovation is needed to expand microinsurance offerings and help target additional market segments, such as women. More innovation support exercises should be carried out, like A2II's Innovation Lab, FSD Uganda's microinsurance challenge and UNDP's Innovation Lab, and the IRA's regulatory sandbox initiative should be expanded.

1.3

Districts that are keen to implement universal health insurance remain blocked by the lack of movement on the National Health Insurance Scheme Bill.

Allow for and support a phased approach to testing of the National Universal Health Insurance programme in certain districts.

- A phased roll-out by district, as was deployed in Egypt, could get health coverage to low-income people more rapidly than awaiting the national scheme's approval. The National Universal Health Insurance programme could be pilot tested in interested and prepared districts such as Luwero, which had an agreement with Save for Health Uganda to implement health insurance coverage as a kind of pilot of the national programme.
- Based on this piloting, lessons could be analysed and shared to assist in the national roll-out of the health scheme.

1.4

Fair and attractive microinsurance pricing is currently hampered by the enabling environment, and a lack of actuarial capacity contributes to high prices of microinsurance products.

Support a better definition of microinsurance and develop actuarial capacity.

- A clear definition of microinsurance should be developed and implemented to guide insurers and allow for an unambiguous distinction between microinsurance and traditional insurance. This definition should separate microinsurance from traditional insurance such that regulatory arbitrage is mitigated.
- The stamp duty and VAT on microinsurance products could be waived.
- Training modules and courses on specific inclusive insurance topics and product lines should be developed.

1.5

SACCOs have become the predominant financial service provider for low-income markets, but their role in microinsurance is very limited, in part due to regulatory challenges.

Promote the involvement of SACCOs as microinsurance distribution channels.

- The benefits that microinsurance provides to SACCOs and their clients should be made clear. Products should be developed that also respond to the needs of SACCOs.
- Regulations should be adjusted to allow SACCOs and other potential distribution channels to offer microinsurance to their clients and customers without significant regulatory requirements and under the responsibility of the linked insurer. This will require coordination between the Uganda MicroFinance Regulatory Authority (UMRA) and the IRA.

1.6

A lack of insurance expertise in the market limits strategic vision.

Support the development and delivery of certified training and other capacity-building efforts for insurers.

- A strategy should be developed for building industry capacity over the long term, in line with regulatory updates for actuaries, agents, loss assessors and other relevant stakeholders. This should be done in collaboration with relevant training institutes in Africa.
- Support from international-funded inclusive insurance training programmes and initiatives should be explored, such as those of the Microinsurance Master and the ILO Impact Insurance Facility.
- Training modules and courses on specific inclusive insurance topics and product lines should be developed.

1.7

There is limited monitoring of microinsurance coverage.

Enforce monitoring of all microinsurance business.

- Existing traditional insurance companies underwrite some microinsurance, but the returns used for reporting to IRA do not split out microinsurance business and the regulations do not specify requirements for reporting on microinsurance. IRA should amend the returns data required to include microinsurance business for both microinsurance companies and traditional insurers with a microinsurance window. This will require accounting adjustments so that microinsurance products and costs can be tracked effectively.
- The results of microinsurance reporting should be used to assess the status of microinsurance at least annually and to develop an action plan for the following year.
- A strong microinsurance component should be included in the second National Financial Inclusion Strategy, and this should be used to leverage active participation of various stakeholders, to include:
  - Robust monitoring and assessment
  - Implementation assessments
  - Periodic assessments and reporting on progress towards targets.

2 Recommendations for the development of disaster risk financing

2.1

2.5 A DRF strategy is in process, with an expected draft presentation in March 2025 However, preparation is needed to ensure the strategy can be implemented once it is passed.

Provide technical assistance to develop a DRF strategy and prepare for its implementation.

- Efforts should begin on defining a DRF legal structure, so that it can be quickly completed once the strategy is finished. Financial, operational and governance authorities need to be codified to support DRF strategy implementation.
- Accounting and auditing of DRF-related expenditures need to be supported.
- Stronger controls and oversight on DRF expenditures should be implemented through MOFPED.
- A comprehensive disaster expenditure tracking system should be established and associated budgeting processes should be aligned across government levels, including effective coding of expenditures and inflows to facilitate tracking.

2.2

Risk modelling capacity is very limited and will become more crucial as climate change impacts increase.

Build capacity for risk modelling.

- A partnership should be developed with the Insurance Development Forum's Global Risk Modelling Alliance (GRMA), which is developing open-source climate models and providing capacity-building in their use.
- Adaptation modelling should be integrated within capacity-building for DRM management.

2.3

The Annual State of Disasters Report could be improved to include more analysis and actionable information.

Invest in developing capacity for analysis and presentation of disaster risk data.

- DRDPM should be supported to develop capacity to collect, manage, clean and audit data on disaster losses, damage and expenditures, and this information should be included within the Annual State of Disasters Report.

2.4

Relevant ministries and government officials should be better informed on DRM and DRF.

Support capacity-building on DRM and DRF with the Government.

- Regular trainings and follow-ups should be carried out, with a particular focus on building the capacity of the CCD.
- A comprehensive approach to capacity-building should be implemented involving a broad range of stakeholders, including supervisors, ministerial climate leads and others. The main focus should be on improving risk modelling, comprehension and decision-making abilities based on modelling outcomes.
- Collaboration with the GRMA and ARC could be considered as potential partners for further facilitation and support for these efforts.

2.5

A DRF strategy is in process, with an expected draft presentation in March 2025 However, preparation is needed to ensure the strategy can be implemented once it is passed.

Provide technical assistance to develop a DRF strategy and prepare for its implementation.

- Efforts should begin on defining a DRF legal structure, so that it can be quickly completed once the strategy is finished. Financial, operational and governance authorities need to be codified to support DRF strategy implementation.
- Accounting and auditing of DRF-related expenditures need to be supported.
- Stronger controls and oversight on DRF expenditures should be implemented through MOFPED.
- A comprehensive disaster expenditure tracking system should be established and associated budgeting processes should be aligned across government levels, including effective coding of expenditures and inflows to facilitate tracking.

2.6

There is currently no system to quantify the costs of each layer of DRF instruments.

Support the identification and costing of different DRF tools in a risk layering approach.

- The various layers of financing needed for Uganda to manage its DRF gap should be identified. Several options have been identified within this report and within the World Bank DRF diagnostic, which noted that using some accessible methods instead of current methods would save millions of dollars.[65]
- The direct and indirect costs of each DRF instrument should be established.
- A risk layering structure should be built that addresses Uganda's needs – financially and operationally.
- A review schedule should be created and implemented to ensure decisions are made based on current data.

2.7

Low-income populations have yet to fully benefit from DRF. Issues surrounding fund distribution and data gathering that can capture the nuances of this population have been difficult to manage.

Develop a suitable approach and systems for reaching low-income and other vulnerable populations effectively and efficiently with DRF instruments.

- A road map for distribution of disaster risk funds should be created and updated.
- MOFPED and MWE should be supported to guide the costing processes and coordinate among different levels of government to maintain a consistent approach.

2.8

Insurance instruments are underused in DRF, and carbon trading could be an important component of Uganda's DRF strategy.

Provide technical assistance to develop understanding of underused instruments such as insurance and carbon trading for DRF.

- Awareness-raising and technical assistance should be supported on insurance at different levels (macro, meso and micro), including on its role in managing disaster risks and the ways in which it might fit within a DRF strategy.
- Regarding carbon trading, efforts should be supported to enhance Uganda's participation in the East African Alliance on Carbon Markets and Climate Finance.

Endnotes

1 World Bank, "Agriculture, forestry, and fishing, value added (% of GDP) – Uganda", DataBank. Available at https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=UG; World Bank, "Industry (including construction), value added (% of GDP) – Uganda", DataBank. Available at https://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=UG.

2 World Bank, "Population, total – Uganda", DataBank. Available at https://data.worldbank.org/indicator/SP.POP.TOTL?locations=UG; World Bank, "Rural population (% of total population) – Uganda", DataBank. Available at https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=UG; UNICEF, "Uganda Country Office Annual Report 2023" (Kampala, 2023). Available at https://www.unicef.org/media/152301/file/Uganda-2023-COAR.pdf.

3 UNDP, Common Country Analysis: Uganda; World Bank, Uganda Poverty Assessment: Strengthening Resilience to Accelerate Poverty Reduction (Washington, D.C., 2022). Available at http://hdl.handle.net/10986/37752.

4 GSMA, "Uganda", Mobile Connectivity Index 2023. Available at https://www.mobileconnectivityindex.com/index.html#year=2023&zoneIsocode=UGA; Simon Kemp, "Digital 2023: Uganda", Datareportal, 23 February 2024. Available at https://datareportal.com/reports/digital-2024-uganda.

5 5 UNDP, Common Country Analysis: Uganda (Kampala, 2022). Available at https://www.undp.org/sites/g/files/zskgke326/files/2023-05/UNDP-UG-CCAReport-2023.pdf.

6 Uganda Bankers' Association, Uganda's Banking Sector Report for the Year 2023 (Kampala, 2023). Available at https://ugandabankers.org/Uganda's%20Banking%20Sector%20Report%20for%20the%20year%202023%20and%20June%202024%20.pdf.

7 World Bank, "Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+) – Uganda", DataBank. Available at https://data.worldbank.org/indicator/FX.OWN.TOTL.ZS?locations=UG.

8 Uganda Bankers' Association, Uganda's Banking Sector Report for the Year 2023.

9 World Bank, "Climate Risk Country Profile: Uganda" (Washington, D.C., 2021). Available at https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15464-WB_Uganda%20Country%20Profile-WEB%20%281%29.pdf ; World Bank, "Disaster Risk Profile: Uganda" (Washington, D.C., 2019). Available at https://documents1.worldbank.org/curated/en/324521574236798679/pdf/Disaster-Risk-Profile-Uganda.pdf.

10 Bündnis Entwicklung Hilft and IFHV, WorldRiskReport 2023 (Berlin, 2023). Available at https://weltrisikobericht.de/wp-content/uploads/2024/01/WorldRiskReport_2023_english_online.pdf.

11 World Bank, Disaster Risk Finance Diagnostic: Uganda (Washington, D.C., 2022). Available at https://www.financialprotectionforum.org/publication/disaster-risk-finance-diagnostic-in-uganda.

12 UNDP, "Risk and Vulnerability Atlas launched to boost Uganda efforts to identify and mitigate disasters", 25 February 2021. Available at https://www.undp.org/uganda/news/risk-and-vulnerability-atlas-launched-boost-uganda-efforts-identify-and-mitigate-disasters.

13 World Bank, Disaster Risk Finance Diagnostic: Uganda.

14 CRED, EM-DAT: The International Disaster Database.

15 World Bank, "Disaster Risk Profile: Uganda".

16 World Bank, Disaster Risk Finance Diagnostic: Uganda.

17 Ibid.

18 CRED, EM-DAT: The International Disaster Database.

19 Uganda, Ministry of Finance, Planning and Economic Development, Macroeconomic & Fiscal Performance Report Financial Year 2022/23 (Kampala, 2023).

20 Ibid.

21 CRED, EM-DAT: The International Disaster Database. Available at https://www.emdat.be/.

22 World Bank, Disaster Risk Finance Diagnostic: Uganda.

23 Ibid.

24 World Bank, Disaster Risk Finance Diagnostic: Uganda.
25 CRED, EM-DAT: The International Disaster Database.
26 Global Earthquake Model Foundation, "Uganda" (Pavia, 2019). Available at https://downloads.openquake.org/countryprofiles/UGA.pdf.
27 World Bank, "Disaster Risk Profile: Uganda".
28 Ibid.
29 Inclusive insurance is a broader term denoting all insurance products aimed at the excluded or underserved market, rather than solely microinsurance, or those products specifically aimed at the poor or low-income market. For this definition, see International Association of Insurance Supervisors, "Issues Paper on Conduct of Business in Inclusive Insurance", IAIS Issues Papers (Basel, 2015).
30 FSD Uganda, "Case Study: IRA Regulating for Innovation" (Kampala, 2021). Available at https://fsduganda.or.ug/ira-regulating-for-innovation-case-study/.
31 Uganda, IRA, Annual Insurance Market Report 2021 (Kampala, 2022). Available at https://ira.go.ug/wp-content/uploads/2022/09/IRA-Annual-Market-Report-2021.pdf.
32 UNDP and Milliman, "Programme fast facts: UNDP-Milliman Global Actuarial Initiative" (Geneva, 2023). Available at https://irff.undp.org/sites/default/files/2023-02/undp_gain_fast-facts_20230210.pdf.
33 Uganda, IRA, The Insurance Regulatory Authority of Uganda Interim Micro Insurance Guidelines, 2016. Available at https://ira.go.ug/cp/uploads/Micro_InsuranceGuidelines2016%20(2).pdf
34 Uganda, IRA, Annual Insurance Market Report 2021.
35 The rate of exchange used throughout this document is US$1 = 3717.52 Ugandan shillings. See UN Operational Rates of Exchange, 13 September 2024. Available at https://treasury.un.org/operationalrates/OperationalRates.php.
36 In Uganda, the IRA, insurers and other relevant stakeholders refer to "inclusive insurance" as "micro insurance". The definition of microinsurance in Uganda is provided in the Interim Micro Insurance Guidelines, 2016, Part I, Section II.
37 Uganda, IRA, The Insurance (Mobile Insurance) Regulations, 2020. Available at https://www.ira.go.ug/cp/uploads/THE%20INSURANCE%20(MOBILE%20INSURANCE)%20REGULATIONS,%202020.pdf.
38 Uganda, IRA, Annual Insurance Market Report 2021.
39 Uganda, Bank of Uganda and Ministry of Finance, Planning and Economic Development, National Financial Inclusion Strategy II 2023 – 2028 (Kampala, 2023). Available at https://www.afi-global.org/wp-content/uploads/2023/12/Signed_2023_2028_National-Financial-Inclusion-Strategy_1.pdf.
40 Uganda, Bank of Uganda and Ministry of Finance, Planning and Economic Development, National Financial Inclusion Strategy 2017 – 2022 (Kampala, 2017). Available at https://ugandabankers.org/wp-content/uploads/2024/01/National-Financial-Inclusion-Strategy-2017-2022.pdf.
41 Unless otherwise noted, information in this section comes from Uganda, IRA, Annual Industry Market Report 2022. Available at https://ira.go.ug/wp-content/uploads/2023/08/Draft-Industry-Market-report-2022.pdf.
42 Uganda, IRA, "IRA Authorises 139 Industry Players to Transact in 2024", 3 January 2024. Available at https://ira.go.ug/ira-authorises-139-industry-players-to-transact-in-2024/.
43 Uganda, IRA, "Insurance Sector Posts Strong Growth in 2022", 20 June 2023. Available at https://ira.go.ug/insurance-sector-posts-strong-growth-in-2022/.
44 Uganda, IRA, Annual Insurance Market Report 2021.
45 Based on interviews with insurance companies in Uganda between 20 March 2024 and 23 March 2024.
46 Uganda, Ministry of Health, "Press Release: Proposed National Health Insurance Scheme Bill 2019", 27 June 2019. Available at https://www.health.go.ug/document/proposed-national-health-insurance-scheme-bill-2019-2/.
47 Save for Health Uganda, Third National CHF Conference Report 2018 (Kampala, 2018). Available at https://library.health.go.ug/sites/default/files/resources/Third%20National%20Community%20Health%20Financing%20Conference%20-%20Report%202018_0.pdf.
48 IFAD, "INSURED Country update: Uganda" (Rome, 2021). Available at https://www.ifad.org/documents/38714170/42414932/uganda_insured.pdf/.
49 Uganda, UAIS, "Uganda Agriculture Insurance Scheme (UAIS) Progress Report: Quarter 3 FY 2022/23". Unpublished.

50 Ibid.

51 World Bank, “Project Information Document – De-risking, inclusion, and value enhancement of pastoral economics in the Horn of Africa – P176517” (Washington, D.C., 2021). Available at https://documents.worldbank.org/en/publication/documents-reports/documentdetail/245561625088740444/.

52 Uganda, Bank of Uganda, Bank of Uganda Financial Inclusion Newsletter, vol. 005, April 2023. Available at https://www.bou.or.ug/bouwebsite/bouwebsitecontent/payment_systems/BoU-Financial-Inclusion-Newsletter-April-2023.pdf.

53 Uganda, IRA, Annual Insurance Market Report 2021; The Innovation Village, “IRA InsureX”, LinkedIn, 9 November 2023. Available at https://www.linkedin.com/posts/the-innovation-village-kampala_irainsurex-irainsurex-activity-7128327462513500161-uO_B/.

54 Cenfri and FSD Uganda, “Managing the Complexities of Insurance Partnerships: Turaco and Fenix International” (Kampala, 2021). Available at https://fsduganda.or.ug/managing-the-complexities-of-insurance-partnerships-turaco-and-fenix-international/.

55 FSD Uganda, “Report on Uptake of Insurance Services in Uganda 2018” (Kampala, 2018). Available at https://fsduganda.or.ug/wp-content/uploads/2019/02/FSDU-Thematic-Report-on-Insurance-2018.pdf; UIA and FSD Uganda, “A Baseline Assessment of the Microinsurance Needs of Informal Traders in Uganda’s Markets” (Kampala, 2022). Available at https://fsduganda.or.ug/baseline-assessment-of-the-microinsurance-needs-of-informal-trader-in-uganda/.

56 UIA and FSD Uganda, “A Baseline Assessment of the Microinsurance Needs of Informal Traders in Uganda’s Markets”.

57 UNDP, “Risk and Vulnerability Atlas launched to boost Uganda efforts to identify and mitigate disasters”.

58 Uganda, Department of Disaster Preparedness and Management National Emergency Coordination and Operations Centre, “Uganda Disaster Risk Information Centre”. Available at https://www.necoc.opm.go.ug/.

59 World Bank, “When climate disasters strike, project supports Ugandans with income, food”, 1 September 2020. Available at https://www.worldbank.org/en/country/uganda/brief/when-climate-disasters-strike-project-supports-ugandans-with-income-food.

60 World Food Programme, “European Union launches project to improve Karamoja's response to shocks”, 1 September 2021. Available at https://www.wfp.org/news/european-union-launches-project-improve-karamojas-response-shocks.

61 World Bank, “When climate disasters strike, project supports Ugandans with income, food”. NUSAF IV was still in the pipeline at the time of writing. See Harman Ebalu, “Northern Uganda MPs urge Government to expedite NUSAF 4 implementation”, LBS NewsDay, 30 July 2024. Available at https://lbs.co.ug/2024/07/30/northern-uganda-mps-urge-government-to-expedite-nusaf-4-implementation/.

62 Uganda, Ministry of Health, “Press Statement – Uganda commences pilot study on epidemic insurance funding initiative”, 13 April 2018. Available at https://www.health.go.ug/cause/press-statement-uganda-commences-pilot-study-on-epidemic-insurance-funding-initiative/.

63 World Bank, Disaster Risk Finance Diagnostic: Uganda.

64 Civil Society Budget Advocacy Group, “Financing mechanisms for disaster preparedness, mitigation and prevention in Uganda” (Ntinda, 2018). Available at https://www.csbag.org/download/financing-mechanisms-for-disaster-preparedness-mitigation- and-prevention-in-uganda/?wpdmdl=1707; World Bank, Disaster Risk Finance Diagnostic: Uganda.

65 World Bank, Disaster Risk Finance Diagnostic: Uganda.

Acknowledgements

Author
Micro Insurance Centre at Milliman: Michael J. McCord

Coordination and review
Bran Atiku and Tom Sengalama (UNDP Uganda)

Editing and peer review by UNDP IRFF
Linet Odera, Pap Talla and Lauren Carter

Copy editor
Justine Doody

Designer
Cristina Ottolini

United Nations Development Programme (UNDP)
UNDP is the leading United Nations organization fighting to end the injustice of poverty, inequality, and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet. Learn more at undp.org or follow at @UNDP

UNDP Insurance & Risk Finance Facility
The Insurance and Risk Finance Facility (IRFF) is part of UNDP's Sustainable Finance Hub (SFH) and it is a flagship initiative dedicated to insurance and risk finance. The IRFF manages UNDP's global representation in the insurance space. It is a one-stop shop for innovative solutions for UNDP Country Offices, programme countries and partners. This includes issues related to insurance and risk finance, networking, partnership development, policy and guidelines, technical assistance, project implementation, capacity-building and financing opportunities. More information available at irff.undp.org

UNDP Sustainable Finance Hub
SDG financing is one of the four elements of UNDP's SDG integrator role, and it is a cross-cutting enabler for the success of all UNDP's thematic areas of work. UNDP, having a long track record of working in public finance and private sector development, through the Sustainable Finance Hub, in collaboration with partners, supports governments, the private sector, civil society and philanthropy to mobilize and align public and private flows of finance with the SDGs and national priorities across different development contexts, including fragile and conflict-affected countries and Small Island Developing States.

United Nations Development Programme
One United Nations Plaza
New York, NY 10017

www.undp.org

Supported by the

Federal Ministry
for Economic Cooperation
and Development