Objective

On behalf of the German Ministry for Environment, Nature Conservation and Nuclear Safety, and Building (BMUB) Integrated Climate Risk Management (ICRM) concepts are being developed in selected country contexts to insure vulnerable population groups, private businesses and governments against financial risks from extreme weather events. The resulting lessons learnt are being made available for the international debate on climate risk management for replication and scaling-up purposes.

Background

In 2013, there were 330 destructive natural disasters worldwide, which claimed human lives, caused severe destruction and significant economic loss. The share of damage caused by extreme weather events related to climate change has significantly increased over the past few decades. A single natural catastrophe can have enormous financial impacts for people and governments. For example, the 2007 floods in the UK caused damage worth USD3.2–4.8 billion. Another example is Peru – its economy is particularly vulnerable to El Niño. The 1997/1998 event caused deadly flooding and mudslides in the country, and the damage to infrastructure amounted to about USD 3.5 billion, which was about 4.5% of Peru’s GDP that year.

Climate Agreement explicitly refer to it. The importance of suitable and sustainable access to direct or indirect insurance coverage against the impacts of climate change is also reflected in the G7 Initiative on Climate Risk Insurance adopted at the G7 Summit in Germany. Since 2009, climate risk management and risk transfer have been a key component in the success of implementing various disaster risk management initiatives by GIZ GmbH and the Munich Climate Insurance Initiative (MCII).
Approach

Not only governments in developing countries are challenged to render timely disaster responses and warrant long-term recovery once a natural disaster happened. Adequate preparations through disaster risk identification, data gathering and contingency planning rarely enjoy the needed attention by policy makers and politicians in other developed countries. However, societies can prepare themselves through preventive and risk reduction measures against the impact of calamities. Insurance is important for effective disaster risk management. It not only provides a financial cushion afterwards, allowing strong and less exposed recovery.

Integrated Climate/Disaster Risk Management Concept

The risk analysis embraces three parts: hazard analysis, exposure analysis and vulnerability analysis. It therefore determines the intensity of a natural hazard (severity) and the expected probability (frequency / return period) of its occurrence. As part of its exposure analysis, it identifies the key risk factors for individuals, society, enterprises, government and/or the economy and outlines damage scenarios and potential measures for an effective recovery in case of disasters (vulnerability analysis).

Disaster prevention and mitigation activities aim to reduce the impact of extreme natural hazard events whilst also adapting to climate change. Stronger emphasis is now being placed on risk-sensitive investment planning in the private and public sector. Prevention measures may involve construction (e.g. dykes and flood protection walls, planting mangrove forests) or normative and non-material measures (e.g. land-use restrictions in flood risk areas).

An important approach to use financial solutions for disaster risk management is known as risk transfer. Risk Transfer mechanisms (as part of ex-ante financing) provide means to mobilise disaster funds quickly for various levels of society. Hence, governments, businesses and individuals are able to soften the financial impact through timely access to finance after a disaster, dissolve financial buffers and increase the effectiveness of contingency plans.

Preparedness enables a rapid and effective response in the aftermath of a disaster. Important elements include emergency precautions and contingency plans, training of rescue and emergency services, and the establishment of early warning systems.

Disaster response is the immediate action primarily in the responsibility of governments to provide emergency aid to people and communities immediately as disaster occurred. Timely and effective action though pre-established institutions and channels is imperative to curtail further loss of human life or material damage.

Disaster-resilient Reconstruction and Recovery seeks to draw appropriate lessons from a disaster and to include disaster risk management measures in the reconstruction process. The reconstruction process aims to secure a society’s livelihood by restoring infrastructure and services as quickly as possible. It also offers a chance to “build back better” to further reduce the potential future impact of the next disaster.

The project follows an integrated disaster risk management approach, following the understanding of the Intergovernmental Panel on Climate Change (IPCC) and the conceptual approach of the German Government.

In recent years worldwide applications of financial transfer solutions as part of risk management have been focusing on agriculture climate risk insurance. This seems to be fully comprehensible, given the major importance of food security for many countries or their dependence on the export of agricultural commodities. However, the role of risk transfer solutions is rather relevant for many more sectors and environments.

About the Project

The project follows an integrated disaster risk management approach, reflecting the understanding of the Intergovernmental Panel on Climate Change (IPCC) and the conceptual approach of the German Government. The project helps to initiate a number of on-the-ground ICRM initiatives focusing on the development of risk transfer solutions such as insurance. It engages at local, national and international levels through the following work packages:

Prevention measures through climate smart agriculture in communities. In partnership with the National Disaster Management Organisation (NADMO) in Ghana, preventive and risk reduction instruments for smallholder farmers in the agricultural sector are being identified and implemented as a pilot with communities in two identified districts. Lessons learnt are being integrated into national adaptation policies in Ghana.

Sovereign disaster risk insurance. The Government of Ghana has commenced the access process to the African Risk Capacity (ARC). The project strengthens the institutional capacity of NADMO and supports the establishment of disaster risk management standards like contingency plans to comply with the accession criteria of the ARC-Agency.

Cash crop insurance for commercial agricultural companies. The project will strengthen the capacity of the Ghana Agricultural Insurance Pool (GAIP) to develop and provide viable insurance products for commercial agricultural companies to absorb climate-related agricultural risk events.

Sector specific climate risks. Context-specific ICRM concepts are being developed for varied applications in several countries in the urban, transport, water or tourism sectors. With the industry and the public sector, the project partners design insurance solutions and risk reductions/adaptations measures for direct and indirect impacts of extreme weather events. Recommendations for a legal enabling environment are also made based on the individual circumstances in the relevant market.

Assuring access to and promotion of ICRM concepts. The results of and the lessons learnt from new ICRM concepts developed in the programme are constantly being analysed and made available for replication and scaling-up purposes to the public. This also includes the experience from different international organizations to bring more transparency about on-going activities and best practice into the still nascent debate. The findings will be made available at PreventionWeb, the Global Index Insurance Forum (GIIF) and Climate Change Knowledge Platform (CCKP) from January 2017 onwards.

Scaling-up and replication. The project will emphasize the active integration of the ICRM approach lessons into the political climate dialogue, such as the UNFCCC, the Sendai Framework for Disaster Risk Reduction 2015-2030 and other context specific conferences offering reliable solutions for selected contexts and countries.

Our Key-Partners

![Our Key-Partners Image]