



Press Release
21 October 2019

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“Investigating the feasibility of municipal risk pooling as a climate change adaptation finance measure”

Cape Town, South Africa —

On the 23rd and 24th of October 2019, public sector stakeholders from local, provincial and national spheres of government will meet in Cape Town to discuss the opportunities for sub-national risk pools and their viability to manage climate risks. Globally over 90% of disasters are now climate related and economic costs of dealing with such events growing, alternative financing mechanisms are required to deal with such risks. Participants from climate change, finance and disaster management departments across multiple tiers of government will be in attendance which demonstrates the complexity of the financial instrument and its need for a multi-stakeholder engagement.

The Municipal Risk Pooling (MURP) project is funded by the International Development Research Centre (IDRC) based in Canada. Risk pools are insurance mechanisms that allow for premium cost benefits and quick payouts owing to the linkage of the mechanism to environmental parameters and thresholds. A municipal risk pooling (MURP) facility would avoid issues experienced by risk pools which exist at the country level, such as compromised decision making and issues of using public budget to benefit other countries.

The MURP project seeks to build on the learnings of sovereign risk pools while creating new knowledge in the field of climate change adaptation finance. It is the intention of the project that risk pools at the sub-national level, if viable, become mainstreamed in disaster risk financing approaches thereby enhancing comprehensive climate risk management.

Kamleshan Pillay, the technical lead for the MURP project based at SouthSouthNorth in Cape Town, states: “Given the linkage between climate change adaptation and disaster risk management, financing approaches may be applicable. Risk pools are one such example. If the pre-feasibility is viable, it is likely that the 2nd phase will look to pilot this innovative mechanism in the Western Cape. This would be one of the first case studies on risk pools at the sub-national level, globally.”

Western Cape Government Climate Change Director, Goosain Isaacs, also mentions the possibilities of the risk pool assisting the financing of climate change adaptation in the province.

He states: “Municipalities typically are on the coalface of responding to the climate crisis yet have limited resources to do so, as such alternative financing mechanisms are urgently needed to ensure that when disasters do happen financing pools are available in order to reduce unplanned and ad hoc resource diversion, particularly in an increasingly constrained economic environment. The Western Cape Government as a coordinating tier of government, is excited to partner with international partners and experts, to provide support to municipalities by exploring possibilities such as Risk Pools as one of the potential solutions to this complex climate challenge.”



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