



RESILIENCE

Promoting Disaster and Climate Risk Resilience
Through Regional Programmatic and Risk
Financing Mechanisms

Action Statement and Action Plan

Provisional copy



CLIMATE SUMMIT 2014

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Overview and Context

Climate change is magnifying risks and vulnerabilities as well as the development impacts on countries and communities by undermining national development pathways, key socio-economic development sectors and community livelihoods. Sectors like agriculture, food security, health, energy, forests, fisheries, tourism, which constitute economic mainstays of many countries, are coming under stress. Accordingly, climate resilience has been identified as a cross-cutting issue to support action across various key development streams with a view to strengthen the ability of a country and community to address the challenges posed by climate change.

Increasing incidence of climatic disasters especially cyclones/hurricanes, droughts, floods etc. and magnitude of extreme events is over-whelming the capacity of countries and communities to mitigate, respond to and recover from the wide-ranging adverse impacts. The costs associated with these disaster events are becoming increasingly unmanageable for many countries and communities especially the developing, least-developed and small island developing countries. For example, while the total value of infrastructure, buildings and cash crops in the Pacific countries was estimated to be US\$112 billion, the total GDP loss for the Pacific countries in 2009 was US\$14 billion. Similarly, the loss and damage due to the EQ in Haiti was estimated at US\$ 7.8 billion, equivalent to 120% of the country's GDP in 2009 and the loss and damage from Cyclone Evan in Samoa in 2012 was equivalent to about 29 percent of the GDP and 28 percent of the total value of the goods and services produced in the country. According to the Economics of Climate Adaptation (ECA) Working Group Report, Shaping Climate Resistant Development, it is estimated that by 2030 climate-related risks could cost nations nearly 19% of their GDP with developing nations being the most vulnerable. Increasing disaster events and higher economic impacts are eroding hard-earned development gains and are stretching the financial resources of countries. It is making it increasingly difficult for many countries to meet the needs related to immediate and long-term recovery, livelihood restoration and reconstruction of development infrastructure and socio-economic assets. Higher GDP losses are putting higher strain on the national development and financial planning processes leading to higher dependence on external ODA.

This necessitates development and implementation of innovative risk financing mechanisms to help overcome the adverse impacts and immediate recovery needs in the short-term and develop long-term strategies to mitigate future risks and impacts and to build disaster and climate risk resilience at national, sub-national and community level.

The UNSG's Climate Summit provides an opportunity to Governments to develop national level risk financing/risk transfer mechanisms/instruments and connect to the regional initiatives to strengthen post-disaster recovery and reconstruction as well as their ex-ante risk management interventions. Connecting the national to the region and the global will also help address the increasingly evident 'globalization' of risks (Thailand Floods of 2011 disrupted global manufacturing and supply chains causing US\$40b in losses) which calls for strong political will and coordinated national, regional and global risk financing approaches involving the international and regional organizations, inter-governmental initiatives, technical institutions, multi-lateral development banks, private sector, donor countries and other key stakeholders.

Overarching Objective

The initiative aims to strengthen regional and national programmatic and financing instruments and mechanisms to address disaster and climate risk management, sustainable development and risk financing needs of climate vulnerable countries and regions like Africa, Caribbean and the Pacific. Composite regional programmatic and financial measures are intended to contribute to national and community climate risk resilience building endeavours of the national governments with support from a range of donors, technical institutions, financial institutions, insurance companies and other stakeholders.

The Summit is also facilitating engagement with a range of financial and private sector entities and donor countries to scale-up on-going risk financing facilities in climate vulnerable regions like Africa and the Caribbean through technical and resource capitalization support while also harnessing the experience and expertise to initiate composite yet integrated approach in the Pacific region. These are intended to address, in a prioritized manner, the three-pronged needs of countries and communities viz. (i) post-disaster recovery and reconstruction of development infrastructure and socio-economic assets; (ii) disaster and climate risk management and (iii) sustainable/resilient development especially for climate-sensitive development sectors.

The Initiatives and Deliverables

The initiative, Promoting Disaster and Climate Risk Resilience Through Regional Programmatic and Risk Financing Mechanisms', is intended to advance innovative risk financing mechanisms/instruments to help countries overcome the adverse impacts of climate change in the short-term and develop long-term strategies to mitigate associated risks. On-going risk financing initiatives in Africa (viz. the African Risk Capacity - ARC) and in the Caribbean (the Caribbean Catastrophe Risk Insurance Facility - CCRIF) are proposed to be strengthened and scaled-up through enhanced coverage, expanded range of insurance products and services, higher resource capitalization and cross-regional collaboration etc.

Recognizing the high disaster and climate vulnerability of the Pacific region, the Climate Summit aims to prioritize formulation of a focused and comprehensive package to facilitate disaster and climate risk resilience and sustainable development in the Pacific region – taking into account the priorities identified through the SIDS Conference and other regional mechanisms – by strengthening and building upon the existing mechanisms in the Pacific.

Interactions have been held with a range of donor countries, international and regional organizations, key insurance and financial sector entities and others to secure their investment in and support for the on-going risk financing initiatives in Africa and the Caribbean and for utilizing the experience gained to inform the proposed programmatic and financial mechanism in the Pacific. The key initiatives, expected announcements/commitments along with the timeline for identified deliverables are as under:



<p>A. African Risk Capacity (ARC): <i>Expansion of risk insurance products and services to support post-disaster as well as ex-ante risk management, enhanced geographical coverage and resource capitalization of ARC as well as cross-regional collaboration with the Caribbean Catastrophe Risk Insurance Facility (CCRIF) to address extreme climate risks through the Extreme Climate Facility (XCF)</i></p>		
Baseline 2014	Milestone 2015	
<p>i. Insurance product/services focusing on 1 hazard (droughts) and covering 5 countries in Africa</p> <p>ii. Proposed initiation of R&D for Extreme Climate Facility (XCF) in October, 2014 (supported by the Climate Summit)</p>	<p>i. Insurance products/services to address 3 hazards (droughts, floods and cyclones) to cover 13 countries in Africa</p> <p>ii. Launch of Extreme Climate Facility (XCF) in December 2015 (CoP Paris)</p> <p>iii. Issuance of CatBonds with a US\$500m-1b range</p>	
<p>B. Caribbean Catastrophe Risk Insurance Facility (CCRIF): <i>Expansion of insurance products and services, increase geographical coverage and capitalization as well as cross-regional collaboration with the African Risk Capacity (ARC) to address extreme climate risks through the Extreme Climate Facility (XCF)</i></p>		
Baseline 2014	Milestone 2015	
<p>i. Insurance product/services focusing on 3 hazards (hurricanes, EQ and excess rainfall) and covering 16 countries in the Caribbean</p>	<p>i. Insurance products/services expanded to cover all hydro-met hazards and Excess Rainfall Product (potential)</p> <p>ii. Expand coverage to additional countries in the Central America</p>	
<p>C. Pacific: <i>Strengthen on-going disaster and climate risk management, resilience building and risk financing interventions by building on existing regional mechanisms</i></p>		
Baseline 2014	Milestone 2015	
<p>i. Pilot Pacific CRAFI program</p>	<p>Launch the strategy for a strengthened implementation of the SRDP and UN Plan of Action for the Pacific region.</p>	



Key Partners and Institutions

Secretariat of the Pacific Community (SPC), Secretariat of the Pacific Regional Environment Programme (SPREP), UNISDR, UNDP, European Union, Japan, Australia, New Zealand, the World Bank, the Global Environment Facility (GEF), African Risk Capacity (ARC) initiative, Caribbean Catastrophe Risk Insurance Facility (CCRIF) etc.

Focal Points

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