

SAVING LIVES CHANGING LIVES

### INTEGRATED CLIMATE RISK FINANCING AND MANAGEMNT IN WFP

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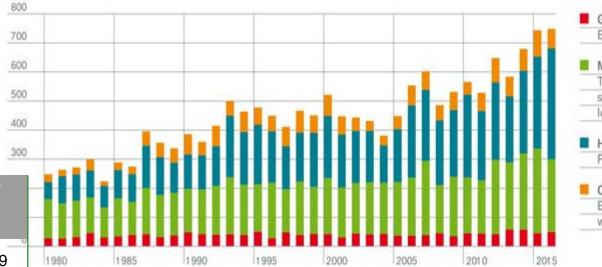
## THE SCALE OF THE PROBLEM

- Climate-related disasters are becoming more frequent
- Cost of late / delayed response

Cost by household\* of delaying response until X months after the harvest

\*Based on average household of 6 individuals

Months	1	2	3	4	5	6	7	8	9	1980	1 985	19
Cost	Negligible cost			US\$ 49			US\$ 1,294			Nominal overall losses*		
350								-		(2016 values)		
300										Of which insu (2016 values)	red losses*	
250							1			Trend overall I	osses	
200										<ul> <li>Trend insured</li> <li>Losses adjusted</li> </ul>	losses for inflation using	the
150				1 1						consumer price index (CPI) of each country and taking into account fluctuations in		
1 00		100						III.		exchange rates.	account nucleared	15 111
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0					╋╋╋╋							
	1980	1985	1990	1995	2000	20	005	2010	2015			





 Climate-related disasters are causing more damage

→We could be saving more through early and predictable response

## **ARC REPLICA & MICROINSURANCE**

### ARC REPLICA

\* an innovative approach to expand climate risk insurance coverage to more people

\* improve the effectiveness of emergency humanitarian response in vulnerable African countries prone to climate risks

\* Support national technical capacities and systems in emergency preparedness and response, targeting, and risk finance.

REPLICA piloted in Mali & Mauritania in 2018. 240,000 more people covered in 2018 with a max pay-out of USD 13.3 million (USD 2.6 million premium)... but possibly no policy.

#### **Microinsurance**

\* transformative & promotions aspects of insurance → change driving (incentive for DRR measures)

\* index insurance developed with communities, integrated in a broader risk management strategy (DRR, financial inclusion, access to market...)

\* insurance for assets approach (transfer modality) → from social protection to transformation

\* system progressively handed over to government and private stakeholders

## **ARC REPLICA & MICROINSURANCE**

So far no full integration, but overlap in a few countries, but some lessons learnt

#### **Similarities**

- \* index design & capacity building at country level
- \* Distribution and access to benefits
- \* An efficient system is supposed to increase impact and bring costs down
- \* Both benefit from being integrated into a broader climate risk finance strategy

#### **Differences**

\* index system does not work on the same basis

\* the Replica system provides fast support to finance a response plan. Microinsurance directly pays out to support insured households.

\* outreach capacity vs. Flexibility.

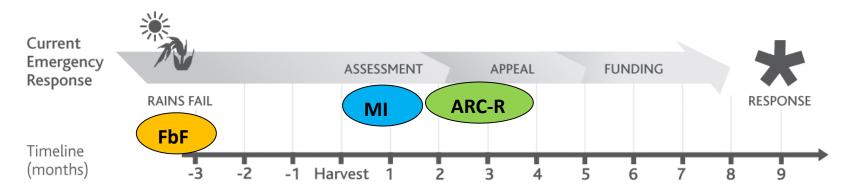
# CLIMATE RISK FINANCING: ANTICIPATING DECISIONS

Decision processes and implementation modalities are established before the event (FbF, Insurance, other):

Pre-agreed operational procedures and delivery mechanisms for the response a.Financial resources available before the event and released rapidly (only) when required (predictable);

a.An 'objective' and early trigger to release funds for the response is available and agreed by all stakeholders.

## CHANGING THE WAY RESPONSE WORKS — THREE COMPLEMENTARY TOOLS FOR WFP



Source: Clarke/Hill, Cost-Benefit Analysis of the African Risk Capacity Facility, 2012