

Promoting Integrated Climate Risk Management and Transfer (ICRM)



AT A GLANCE

Name

Promoting Integrated Climate Risk Management and Transfer (ICRM)

Duration

October 2015 – June 2019

Focus area

Ghana (Bilateral)
with links to Barbados, China, Morocco (Global component)

Target group

Vulnerable population groups, smallholder farmers, SMEs, governments (national as well as local), (re-)insurers, civil society, international organisations

Funds available

German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) through its International Climate Initiative (IKI)

The project is jointly implemented by ...

Ghana: National Disaster Management Organisation, Ministry of Food and Agriculture, Ministry of Finance
Global: Munich Climate Insurance Initiative

The overall aim of the project is ...

to provide the agriculture market in Ghana with more options to hedge against weather risks resulting from droughts and floods. This includes insurance solutions, sovereign risk transfer solutions (through ARC) as well as agricultural risk prevention and/or reduction measures. Additionally, a roadmap was developed to outline recommended next steps to up-scale and intensify the efforts toward an integrated climate risk management in the agricultural sector.

BACKGROUND

In 2018 a series of devastating climate disasters caused severe destruction and significant economic loss in various parts of the world, including Hurricanes Michael and Florence in the Atlantic, Typhoons Jebi, Mangkhut, and Trami in Asia, and the California wildfires. Specifically, the African continent is being affected by floods, droughts, and storms with increasing frequency. In Ghana as well the threatening effects of climate change and climate variability are noticeable, for example through changing rain patterns and longer dry spells. The share of damage caused by extreme weather events related to climate change has significantly increased over the past few decades.

Since 2009, the integration of risk transfer components into climate risk management has contributed to the successful implementation of various climate risk management initiatives by GIZ GmbH and the Munich Climate Insurance Initiative

(MCII), as for example through the collaborative team Advancing Climate Risk Insurance Plus (ACRIplus).

The topic of climate risk management enjoys a continued momentum in the international community. The UNFCCC, the Sendai Framework for Disaster Risk Reduction 2015–2030, the Warsaw International Mechanism for Loss and Damage (2013), and the Paris Climate Agreement (2015) explicitly refer to it.

The importance of suitable and sustainable access to direct or indirect risk transfer solutions targeting the impacts of climate change is also reflected in the G7 Initiative on Climate Risk Insurance adopted at the G7 Summit in Germany and, building on this, the InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions launched in 2017.

OUR APPROACH

The ICRM approach was developed, based on existing conceptual frameworks, to help governments, businesses, and individuals better manage the ever-increasing climate risks and natural hazards in terms of both, intensity and frequency. Previous concepts of Disaster Risk Management focused on the four phases “Prevention”, “Preparedness”, “Response”, and “Recovery”. This PPRR approach, however, was missing an important fifth phase: “Retention & Transfer”. This phase refers to the fact that, even when all the necessary steps in the PPRR phases have been taken, some amount of residual risk still remains. In addition, adverse effects of climate change pose new forms of risks that are currently difficult to predict. For this reason, ICRM emphasises the importance of risk transfer mechanisms in averting potentially large amounts of economic loss and reinforcing the other steps in the PPRR phases. These phases can all be developed simultaneously, and work best when all stakeholders are involved in the planning and implementation of the different steps. This is a constant process of planning, implementing, evaluating, and adapting strategies and measures relating to the analysis, reduction, and transfer of disaster risks.

For the project in Ghana this has led to three core focus areas: **1.** Prevention through climate smart agriculture, **2.** Sovereign disaster risk transfer, and **3.** Commercial insurance for agricultural businesses.

Prevention measures through climate smart agriculture in communities

In partnership with the Ministry of Food and Agriculture (MoFA) and the National Disaster Management Organisation (NADMO) in Ghana, *preventive* and risk reduction instruments for smallholder farmers have been identified and implemented in ten pilot communities in each of the two pilot districts: Zabzugu (Northern Region) and South Tongu (Volta Region). These include participatory scenario planning sessions, training

for soil preparation, mulching and planting techniques among others. Capacity building on disaster risk management is being provided to NADMO staff based in regional and district offices, while at the national headquarters trainings of trainers were conducted to sustainably enhance institutional capacity. Lessons learnt are being integrated into national adaptation policies and contingency plans to be *prepared* in case an adverse weather event strikes.

Sovereign disaster risk insurance

Following the ICRM approach described above, many impacts of climate hazards can be avoided and reduced. However, some will still remain. Hence the project supports the accession process of the Government of Ghana to the African Risk Capacity (ARC), e.g. through strengthening the institutional capacity of organizations such as NADMO, supporting the establishment of disaster risk management standards required by ARC Agency such as contingency plans in order to be *prepared*. In mid-2018 the Government of Ghana successfully obtained the Certificate of Good Standing from ARC, allowing the Government to now purchase a policy.

An exemplary drought policy could cover roughly 1.1 million vulnerable people in the northern regions. Preparations are also being made to pilot the ARC flood coverage once this option is fully developed.

With the security of reliable, predictable, and near-immediate pay-outs after disasters, the Government and responsible institutions are much better able to *respond* quickly and coordinatedly to disasters and activate *recovery* mechanisms early on.



Insurance for commercial agricultural companies

While a policy from ARC would cover a large number of people by operating at a macro-level, it only protects against extreme events (high intensity, low frequency) leaving less intense but more frequent events uncovered. Hence, the project also aims to stimulate the growth of the agricultural insurance market in Ghana to provide micro- and meso-level solutions for lower intensity, higher frequency events. Such products will enable commercial agricultural businesses to *transfer* climate-related agricultural risks to the private sector, allowing them to *respond* and *recover* more quickly and efficiently after disasters. The project is conducting a market analysis to provide recommendations for the private insurance sector, agricultural businesses, and potential policy reforms for the regulatory environment to strengthen the sustainable development of the agricultural insurance market in Ghana.

Global outreach

Aside from these three components in Ghana the project operates in three additional country-sector contexts: in China the focus lies on urban resilience, in Morocco the project aims at improving the resilience of climate-vulnerable SMEs, while in Barbados the project promotes comprehensive risk management in the renewable energy sector. For each country-sector context, guiding roadmaps are being developed to outline potential pathways to implement the ICRM approach in different sectors and settings. The lessons learned in this process are analysed continuously and made available to the public for refinement, replication, and scaling up purposes. Hence, the project emphasises 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. This also includes the experience from different international organizations to bring more transparency about on-going activities and best practices. The findings are being made available at the Global Index Insurance Facility (GIIF) since October 2017.



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Sources:

Munich Reinsurance, 2019. “The natural disasters of 2018 in figures”
<https://www.munichre.com/topics-online/en/climate-change-and-natural-disasters/natural-disasters/the-natural-disasters-of-2018-in-figures.html>

Further Resources:

<https://indexinsuranceforum.org/climate-insurance>
https://www.international-climate-initiative.com/en/nc/details/project/promoting-integrated-mechanisms-for-climate-risk-management-and-transfer-15_II_121-459/?cookieName=search_results&source=single

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