



Development and Climate Days

Global ambition
Local action

Climate resilience for all
#DCdays18

Over the last decade, Development & Climate Days (D&C Days) has built a reputation for providing stimulating and interactive debate of topics and issues at the interface of development and climate change during the middle weekend of the UN climate change talks.

In 2018 host partners will continue to build on the topic of 'Global ambition. Local action. Climate resilience for all', aiming to influence the 'ambition mechanism' processes under the UNFCCC – particularly the Talanoa Dialogue and global stocktake – and to inform climate action on all levels, looking ahead to 2020.

Financing adaptation and managing risk will be one of four key themes explored at this year's D&C Days.

4. Financing adaptation and managing risk

German Development Institute/Deutsches Institut für Entwicklungspolitik,
with contributions from Munich Climate Insurance Initiative (MCII) and Germanwatch

As extreme weather events increase in frequency, the need to manage climate risk becomes more urgent. Climate change threatens sustainable development and resilience and exacerbates poverty by impairing socioeconomic development, especially in the most climate-vulnerable countries and communities.

Measures for reducing vulnerability include:

- Risk mitigation or prudent risk taking
- Risk reduction
- Risk coping or risk reserves, and
- Risk transfer.

When jointly in place, these four measures constitute a comprehensive risk management approach that addresses assumed and forecast (ex-ante), or known and past (ex-post) risks. Employing an integrated risk management strategy helps improve

resilience, and risk transfer – in the form of climate risk insurance – has been gaining attention in climate policy discussions.

Issues at stake

Although it is promising, transferring risk through climate risk insurance has its share of challenges. In August 2018, the Suva Expert Dialogue, organised by the executive committee of the Warsaw International Mechanism on Loss and Damage during the 48th session of the UNFCCC's subsidiary bodies, identified accessibility and affordability for poor and vulnerable groups as barriers for uptake of climate risk insurance.

Most poor and climate-vulnerable groups do not substantially contribute to anthropogenic climate change, so asking them to carry the financial burden of risk transfer is unjust. We urgently need to tackle the issues of compensation and who will finance adaptation and risk management, especially in climate-vulnerable countries and communities.

The Global Commission on Adaptation (GCA), formed in October 2018, names adaptation finance as one of seven areas it wants to accelerate action on. Recognising that the costs of adaptation are lower than the costs climate-vulnerable countries will face on a business-as-usual scenario, the GCA aims to ensure adaptation action and support reaches the most vulnerable.

The 16th D&C Days will provide an opportunity to discuss adaptation finance and climate risk management with the guidance of climate justice, human rights and pro-poor principles. In particular, we will discuss how we can:

- Use climate insurance to address climate risks in a climate-just and pro-poor way
- Develop new and support existing strategies for scaling up public and private sector financing for climate-smart development
- Use finance to deliver the triple win of reducing poverty, building climate resilience and increasing carbon

storage while also providing an incentive for governments and private investors to commit funds to the frontline, and

- Leverage local-level public and private finance to promote pro-poor investments and encourage revenue generation for the grassroots.

Climate justice and human rights: the impacts of extreme weather events and their increased frequency and severity due to climate change pose a threat to basic human rights. This includes people's rights to life, water, food, shelter, health, subsistence and social protection – particularly for those living in poverty, marginalisation and vulnerability. These rights can be threatened directly, through physical damage from extreme weather events, or indirectly through forced displacement. Either way, this increases people's vulnerability and susceptibility to further climate risks.

Any adaptation or mitigation intervention should respect and foster human rights. So we need to identify the most vulnerable people and ensure they are actively involved in the intervention and have access to complaint mechanisms. Risk transfer in the form of climate risk insurance can

help foster human rights as both an end goal and a process. For example, holding an insurance policy replaces dependence on charity with an enforceable claim that could help empower marginalised groups in the face of increasing climate risks.

Pro-poor principles: climate risk management strategy design should take into account the differential vulnerabilities of communities, especially poor communities. As a form of risk transfer, climate risk insurance should be designed and implemented so it does no harm and leaves no one behind. MCII's seven guiding principles for pro-poor climate risk management are: comprehensive needs-based solutions, client value, affordability, accessibility, participation, sustainability and an enabling environment.

Developing key messages and influencing strategy

The launch of the GCA is a strong signal of the need to focus on adaptation. Without an agreement on compensation, adaptation finance remains an optional handout from the countries that are responsible for climate change rather than a commitment to help the most

affected and climate-vulnerable communities cope with climate risks.

As the Warsaw International Mechanism approaches five years of existence and climate change impacts continue to break records, financing adaptation and risk management becomes more urgent and should become an imperative. COP23's Talanoa Dialogue and consultations on the local communities and indigenous peoples platform provided opportunities to engage the most affected and climate-vulnerable groups. To ensure this progress on inclusivity in climate negotiations continues, it must now translate into the proactive participation of these groups.

Key messages from this D&C Days theme will inform the multilateral negotiation process, bolster initiatives such as the InsuResilience Global Partnership and GCA and encourage the private sector – for example, insurance companies – to lead on climate resilience. Apart from supporting Article Two of the Paris Agreement on achieving a global adaptation goal, this theme will show that climate change resilience does not only depend on adequate adaptation finance; it also depends on fair, inclusive and just climate actions.

References

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Schäfer, L *et al.* (2016) Making climate risk insurance work for the most vulnerable: seven guiding principles. *UNU-EHS Publication series policy report 2016 no. 1*. Bonn, Germany.