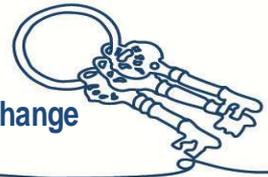




Alliance on Climate Risk Transfer Solutions

Sustainable, self-reliant tools address the growing economic threats of climate change



The challenge

Natural disasters such as droughts and floods pose a significant problem in many developing countries. Climate change is increasing the severity and frequency of these risks. Moreover, globally 70 per cent of the economic losses caused by natural catastrophes are not covered by insurance and have to be borne by individuals, companies or governments. In developing countries protection through insurance is even rarer. In the event of a disaster, governments usually respond reactively. This could be, reallocating budget and funds for relief and reconstruction purposes, and requesting monetary assistance from international donors. This drain on resources can have a damaging effect on a country's longer-term development objectives in the areas of economic and social development, putting at risk many of the achievements made in pursuit of the Sustainable Development Goals.

(Re-)insurance companies can help governments in developing countries cope with heightened economic risks related to climate change in a more self-reliant fashion, by providing market-based risk transfer solutions on an appropriate scale. However, numerous factors prevent governments from accessing these commercial solutions. Above all, many of the institutional stakeholders are not sufficiently aware of the benefits of the various risk financing instruments such as contingent credits, insurance products or pools. Also, before deploying any such risk financing instrument, a government needs to complete an analysis of the risk situation first and identify the most appropriate instruments for their needs. This requires technical expertise which is hardly available locally.

The solution

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has formed a Strategic Alliance with the Swiss Reinsurance Company Ltd. (Swiss Re), a leading wholesale provider of risk transfer solutions. Together, they collaborate with governments to build the necessary technical capabilities, and assist them in identifying and accessing suitable climate risk transfer instruments. The Strategic Alliance "Alliance on Climate Risk Transfer Solutions" is part of the develoPPP.de programme. Through develoPPP.de, the German Federal Ministry for Economic Cooperation and Development (BMZ) supports sustainable initiatives by private companies.

The Alliance builds on Swiss Re's commitment at the UN Climate Summit in 2014, announced by Swiss Re's CEO Michel Liès: "By the year 2020, Swiss Re commits to having advised 50 sovereigns and sub-sovereigns on climate risk resilience, and to have offered them protection of USD 10bn against this risk."

It works with selected developing countries in Africa and Asia to improve the access to climate risk transfer solutions in four areas: 1) awareness raising and technical capacity building; 2) supporting national stakeholder dialogue processes; 3) conducting risk assessments, product development and testing; and 4) exchange and dissemination of the knowledge gained.

"This partnership puts our commitment and mission into action that aims at helping societies build resilience to climate risk through innovative insurance solutions and risk-transfer partnerships."

Catherine Burger, Senior Manager, Swiss Re



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Our services

To raise awareness and to expand technical capabilities, decision makers in relevant government institutions participate in one of the technical training courses run by the Strategic Alliance.

Participants learn about various sovereign risk financing options, with a special focus on climate risk insurance. Next to GIZ and Swiss Re, other institutions such as the World Bank or African Risk Capacity contribute with expertise. By enhancing financial literacy, these courses enable governments to make well-informed risk financing choices. Building on the training courses, the Alliance's alumni network 'Community of Practice' brings together the participants to further peer-to-peer exchanges. This community engages with other similar groups and think tanks to ensure effective learning and knowledge sharing.

Furthermore, the Strategic Alliance facilitates capacity building activities for national stakeholders in six countries. A platform for exchange and coordination at the national level is supported to form the basis for a successful uptake of risk transfer solutions in the future. Here, the representatives can share their technical know-how, agree on the roles and responsibilities of the different government institutions involved in the integration of risk transfer solutions in their country's (climate) risk management strategy, and draft an action plan.

Based on the results of the risk assessment Swiss Re lends its technical expertise in terms of risk modelling and in the development of a suitable risk financing product. In consultation with all relevant national stakeholders, the partners of the Alliance propose a suitable risk transfer solution and test its feasibility, taking factors such as regulation, data availability, budgets, processes and structures into account. The Alliance shares the knowledge gained from these activities, documenting the lessons learned and disseminating information in relevant conferences and workshops.

Intended impacts and results

- Access to climate risk transfer solutions – embedded in a country's climate risk management strategy – increases.
- Government institutions of various African and Asian countries gain improved awareness and understanding about sovereign risk financing instruments.
- Decision makers enhance the technical capacities to take well informed decisions on how to protect their countries against climate change related risks – be it through budgetary reserves, contingent credits, insurance schemes or other risk transfer tools.
- National coordination structures are supported and activities planned enabling government institutions to uptake risk transfer solutions as part of their climate risk management strategy.
- Key climate-related risks are identified and quantified.
- Structured insurance solutions are developed, tested and amended to the local needs in African and Asian countries.
- Knowledge generated and lessons learned on the topic of disaster risk transfer for the public sector is shared with public authorities and the industry.

At a glance

Duration	November 1, 2015 – October 31, 2018
Countries	Selected African and Asian countries
Objective	To improve governments' access to smart, direct and indirect climate risk transfer solutions at sovereign and sub-sovereign level that form part of their climate risk management strategies.
Partners	Swiss Reinsurance Company Ltd (Swiss Re) & Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Intended results	<ul style="list-style-type: none">• Greater awareness and technical know-how in the field of climate risk transfer solutions• National dialogues on the integration of climate risk transfer solutions into the national (climate) risk management strategy• Risk assessment of priority risk• Structured insurance solutions are developed and tested

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