## The climate crisis is now -The case of development insurance towards a just transition

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INTERGOVERNMENTAL PANEL ON CLIMATE CHARGE

Global warming has caused dangerous and widespread disruption in nature...





### ... leading to 3.3 – 3.6 billion people living in hotspots of high vulnerability to climate change.

THERE'S NOTHING TO WORRY ABOUT 11 m at MAXX

Hameed "Ham" Khan/CartoonStock.com



#### Multilateral development bank:

Multilateral financial institution that offers loans and complementary technical assistance, tied to explicit development objectives.



#### Multilateral development insurer:

Multilateral financial institution that offers insurance and complementary technical assistance, tied to explicit development objectives. What might development insurers be able to do cheaply & at scale that development banks can't?

Faster response reducing suffering

More predictable more dignified and promotes preparedness response

Better national wider and deeper transparency over crisis conversations risk and crisis protection

Cheaper response protecting more people

### ARC – the development insurer for Africa



Faster response parametric trigger of insurance payouts in cases of extreme drought, tropical cyclones; soon: flood, outbreaks and epidemics

More predictable preparation includes risk assessment, early response warning, ex ante continency planning

Better national coordination between government, conversations humanitarian actors ("ARC Replica"), NGOs and multilateral institutions

Cheaper response efficient relief cash transfers, food



### How ARC changes the way disasters are paid for ...



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

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### Case Study: Senegal



Senegal purchased drought coverage for the season 2018/2019, \$5.7 million premium paid

Both the government and humanitarians (WFP) insured and jointly prepared coverage and contingency plans

Protection of more than 500K vulnerable people

Drought triggered insurance payout of \$23.1 million in 2020

350K beneficiaries received food, cash transfers and nutritional supplements.



### **ARC insurance payouts**

2015

2016

2018

2019

\$26.3M Mauritania, Niger, Senegal

\$8.1M Malawi

\$2.4M Mauritania

\$26M Senegal Cote d'Ivoire he han na sala 'n when die he die he die na na wed 'n die die her die her die her die het die 'n die her her die her die her die her die her die her her her de

2020

2021

\$6M Madagascar Zimbabwe Cote d'Ivoire

\$51M Mali Mauritania Niger Burkina Faso Cote d'Ivoire Malawi Zambia Madagascar African Risk Capacity

# German support to ARC **KFW**

Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung



Goals	Climate resilience Food security Just transition
Financial support	35mn EUR capital support (2013-33) 65mn EUR grants for institutional and product development, premium support (2013-2029)
Advocacy	G7 (2015, 2022), G20 (2017), InsuResilience Global Partnership
Partnerships	African States: AU Donors: UK, USA, CAD, EU, SDC, France, Rockefeller Foundation Multilaterals: AfDB, IFAD, WFP Humanitarian NGOs: Start Network



#### Creating climate resilience in various sectors ...



Source: adopted from Disaster Risk Finance Primer, World Bank, 2018

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- Do pre-agreed finance interventions have impact?
- What should our crisis financing architecture look like?

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Projected poverty increase due to covid-19 (percentage point change, US\$1.90 a day)

Yang, Y., Patel, D., Hill, R. V., and Plichta, M. (2021) 'Funding covid-19 response: Tracking global humanitarian and development funding to meet crisis needs', Working paper 5, Centre for Disaster Protection, London.

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Hill, R. V., Campero Peredo, A., and Tarazona, M. (2021) 'The impact of pre-arranged disaster finance: Evidence gap assessment', Working paper 7, Centre for Disaster Protection, London.

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Poole, L., Clarke, D., and Swithern, S. (2020) 'The future of crisis financing: a call to action', Centre for Disaster Protection, London.