From Policy to Protection

How Disaster Finance and Insurance can be integrated into Climate Strategies?

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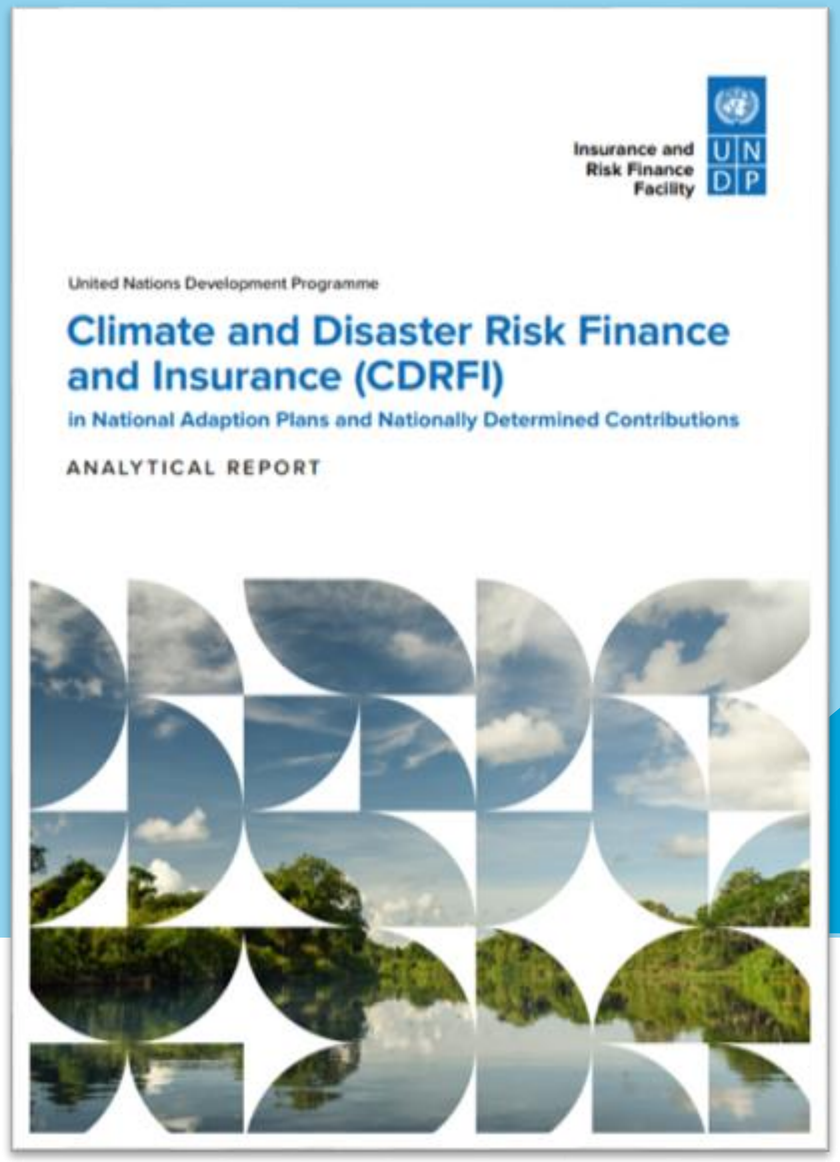

Why do we need CDRFI?

There are several benefits of integrating CDRFI into national climate policies (e.g. NDC; NAP)

Enhance financial liquidity and stability

Provide quick and reliable financial support pre and post climate event

Mobilize finance and secure investment

De-risk and enhance climate resilience of the investment

Manage climate and disaster risk more effectively and comprehensively

CDRFI can establish cost-effective risk management strategy

Improve data and technical capacity

CDRFI tools-risk modelling, assessment and data analysis-enhance country's technical capacity

Bring stakeholder groups together

Foster inter-governmental and public-private collaborations

Support most vulnerable community/ sector

Applicable across multiple sectors and communities, supporting inclusive and comprehensive adaptation efforts.

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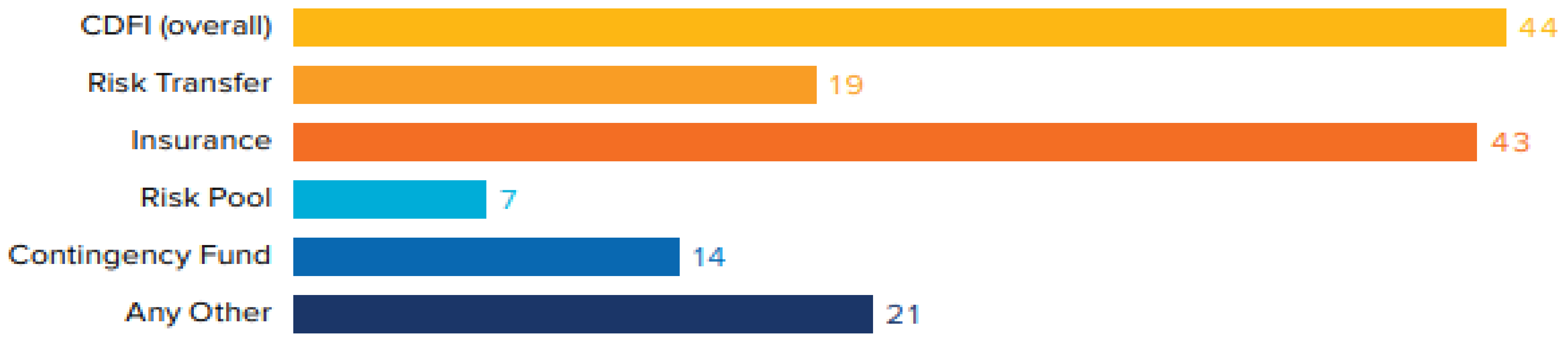
Current status of CDRFI integration in NAPs & NDCs

Key trend and action items

- Among the 54 countries that published NAPs, 44 included some form of CDRFI-related content (see figure)
- Out of 169 countries that submit NDCs 69 have integrated CDRFI components
- Higher levels of insurance readiness are correlated with greater NAP CDRFI integration, showing the benefit of working on the enabling environment to increase policy integration

Figure: Number of countries mentioning CDRFI and specific CDRFI instruments in NAPs



Source: UNDP IRFF , *Analytical Report: Climate and Disaster Risk Finance and Insurance in National Adaptation Plans and Nationally Determined Contributions*

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Colombia's NAP and NDC

CDRFI in NAP

- **Agriculture Insurance**: Colombia’s NAP includes specific actions to integrate disaster risk insurance and financial safety nets, especially for agriculture.
- **Financial Instruments for Natural Disasters**: Colombia has introduced CAT bonds and public risk funds to provide immediate financial resources after extreme events. The NAP aims to extend these instruments across various sectors, highlighting the importance of strengthening DRF frameworks.

CDRFI in NDC

- **Expansion of Risk Transfer Solutions**: Colombia’s NDC emphasizes expanding insurance products and risk transfer mechanisms, such as CAT bonds and insurance systems, to protect against extreme events.
- **International Cooperation**: Columbia’s NDC underscores the importance of international financial and technical support to scale up CDRFI strategies across the country and develop new financial instruments.

Implemented CDRFI (selected)

- **Catastrophe bonds:** Colombia has issued catastrophe bonds to transfer the financial risk of disasters to the capital markets, providing a financial buffer against earthquake damage. The bonds have potential to be expanded to other, climate-related hazards.
- **PPPs:** The government has fostered partnerships with private insurers to develop tailored insurance products that address climate risks, particularly in the agricultural sector.

Link:

Columbia's NAP: National Adaptation Plan of Colombia | UNFCCC
Columbia's NDC: Nationally Determined Contributions Registry | UNFCCC

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GUIDELINES AT A GLANCE

What we provide

- Key action points
- Situational questions
- Relevant actors & materials
- Key outputs

Approach

NAPs should apply a holistic **Comprehensive Risk Management (CRM) approach** to identifying, assessing, prioritizing, and managing climate-related risks.

Structure

Four steps and Cross-cutting activities:

1. Lay the groundwork and address gaps
2. Preparation
3. Implementation
4. Reporting, monitoring, Review

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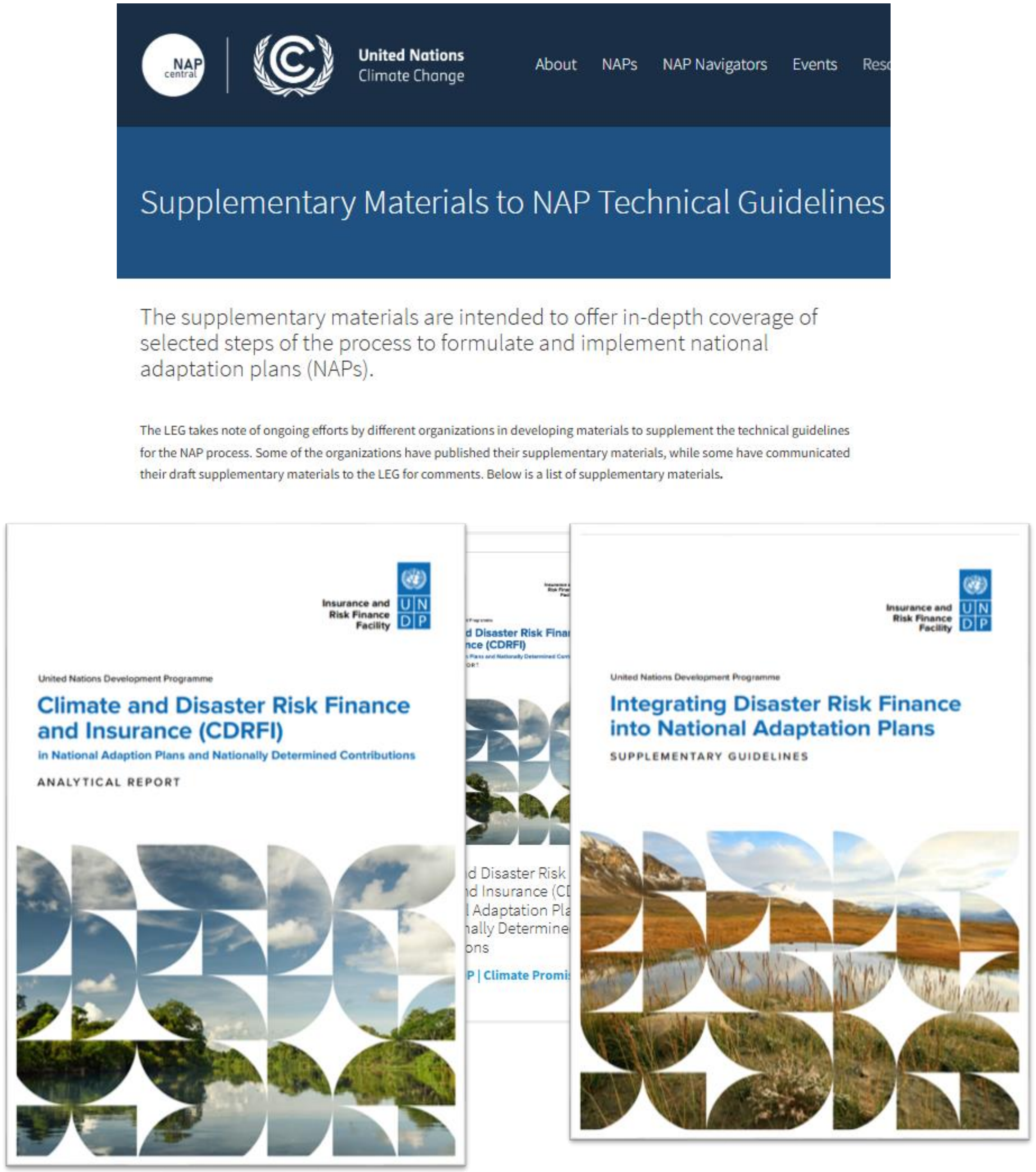
How to integrate CDRFI into NAP

A. Lay the groundwork and address gaps	B. Preparatory Elements	C. Implementation Strategies	D. Reporting, Monitoring & Review
Step A.1: Set up inclusive institutional arrangements for the NAP development Step A.2: Secure legal mandate for adaptation planning Step A.3: Conduct CDRFI Stock Take and Gap Analysis Step A.4: Access GCF NAP Support from Readiness Funding	Step B.1: Conduct inclusive risk assessments and probabilistic analyses Step B.2: Identify tolerable risks and long-list adaptation Step B.3: Quantify costs and benefits, analyze protection gap, and apply risk layering Step B.4: Develop a business case for adaptation Step B.5: Integrate CDRFI into sectoral priorities and framing Step B.6: Include a priority on macro-economic stability and sovereign solutions Step B.7: Include a priority on financial inclusion and resilience for vulnerable groups	Step C.1: Guidance for countries with little or no CDRFI in the NAP Step C.2: Identify activities and potential stakeholders for CDRFI initiatives Step C.3: Identify the finance gap for CDRFI initiatives Step C.4: Explore additional funding opportunities from external sources Step C.5: Prepare CDRFI project pipeline to submit to co-financers Step C.6: Mainstream NAP and CDRFI elements into sectoral / development plans Step C.7: Strengthen collaboration with the private sector	Step D.1: Develop MEL framework and CDRFI indicators Step D.2: Review and update the NAP

Cross-Cutting

Step 0.1. Strengthen the enabling CDRFI environment
Step 0.2: Build CDRFI capacity across and within sectors and institutions
Step 0.3: Consult and engage diverse stakeholders

Thank you



Learn more

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