

Enhancing Climate Resilience: Integrating SLM and Index Insurance

Technical Round Table

Concept Note

25th of June 2024, 09.30 – 16.30

Marlborough House, Commonwealth Secretariat, London,

Desertification, land degradation, and drought (DLDD) present a complex web of challenges, each exacerbating the impact of the others through a destructive feedback loop. This cycle sees land degradation and desertification reducing the land's ability to retain water, thereby undermining food production systems and making them more vulnerable to drought. Such droughts further damage the land, enhancing the process of desertification. This iterative process serves to not only diminish the land's productivity but also reduce societal resilience to drought and various climate-related adversities

Additionally, the increasing severity of climate change necessitates the development of effective drought risk management strategies, especially for rural communities and smallholder farmers in the global south. Insurance serves as a crucial tool in mitigating the financial fallout from the unpredictability of events such as droughts and floods. However, existing insurance models often fail to reach those most in need or incentivize proactive land management practices that could mitigate disaster impacts. To address this gap, widespread adoption of insurance products must be coupled with behavioural change initiatives promoting sustainable agricultural and land management practices. By empowering end-users, particularly smallholder farmers, with the knowledge and resources to adapt, we can enhance resilience to drought conditions.

The Global Mechanism of the UNCCD and the Commonwealth aim to address these challenges and enhance the adoption of risk transfer mechanisms, with a focus on parametric climate risk insurance. Such insurance serves as a crucial protective measure for farmers, who are particularly susceptible to climate-triggered yield reductions, including risks from climate shocks and other factors like pests, epidemics, and conflict. Importantly, these financial tools offer both protection against shocks and incentives for investments in good years, improving household resilience to droughts and similar challenges.

Background: The primary aim of this project is to develop a novel drought insurance model. Through an extensive review of existing climate-insurance frameworks, especially drought insurance models, we seek to propose alternative approaches tailored to the needs of the world's most vulnerable populations. Central to our model is the concept of incentivizing behavioural change by offering premium reductions to users who embrace better agricultural and sustainable land management practices. By making these practices financially rewarding, we aim to foster long-term resilience among farmers.

As the socioeconomic and environmental impacts of climate change are increasing, supporting national governments in crafting comprehensive, future-proof climate risk strategies is key. The proposed “SLM Linked Index Insurance” approach aims to strategically combine parametric insurance with sustainable land management (SLM) practices that are implemented at the community level to increase long term resilience towards drought shocks.

Objectives: This round table aims to present and discuss an innovative approach to bolster climate resilience by integrating with existing climate insurance models, leveraging convergence of evidence through data analytics, and employing scalable technologies for effective communication and monitoring.

The consultation will begin with presenting the proposed concept of Sustainable Land Management (SLM) Linked Index Insurance by the UNCCD and will aim to generate discussion and feedback from various stakeholders on the overall concept, its feasibility, and its potential synergies with ongoing projects. Our goal is to collect concrete feedback and recommendations and to secure buy-in from the private sector to support and participate in a piloting phase.

Target audience: The workshop will invite a range of initiatives and experts actively working sustainable and innovative financing methods, SLM, Drought Resilience, Public and private sectors, representatives, potential pilot countries, World Bank, Africa Risk Capacity, insurance companies, and experts in climate resilience.

This event will be held according to Chatham House rules

09:30 – 10:00	Registration and Welcome Coffee	
10:00 – 10:30	<p>Opening session:</p> <p><i>Dr. Ruth Kattumuri, Senior Director of Economic, Youth and Sustainable Development Directorate, Commonwealth Secretariat</i></p> <p><i>Ms. Louise Baker, Managing Director, The Global Mechanism of UNCCD</i></p> <ul style="list-style-type: none"> - Welcome Remarks - Introduction of the Roundtables concept and goals - Round of Introductions 	UNCCD Commonwealth Secretariat
10:30 – 11:30	<p>Discussion and Consultation I: SLM and Climate Resilience</p> <p><i>Joost Van Der Woerd & Rupert Fee, Expert Consultants for Drought Insurance, UNCCD</i></p> <ul style="list-style-type: none"> - Presenting the idea behind the SLM Linked Insurance 	UNCCD



	<ul style="list-style-type: none"> - Presenting two Models created by UNCCD - Exploring the added value and challenges 	
11:30 – 12:30	<p><i>Presentations and Feedback I</i></p> <ul style="list-style-type: none"> - Presentation 1: World Bank NGDI (10 mins) - Presentation 2: Insights from a Country Perspective - Fiji (10 mins) - Presentation 3: EY (10 mins) - Feedback and Questions (30 minutes) 	Expert Partners
12:30 – 13:30	<p><i>Group Picture (5 minutes)</i></p> <p><i>Lunch break</i></p>	
13:30 – 14:30	<p><i>Presentations and Feedback II</i></p> <ul style="list-style-type: none"> - Presentation 4: Commonwealth perspective (10 mins) - Presentation 5: African Risk Capacity Group (10 mins) - Presentation 6: Gallagher Re (10 mins) - Feedback and Questions (30 minutes) 	Expert Partners
14.30 – 14.45	<p><i>Coffee/tea break</i></p>	
14.45 – 15.45	<p><i>Presentations and Feedback III</i></p> <ul style="list-style-type: none"> - UNDP Presentation (10 minutes) - - Case study: Ethiopia’s resilience through SLM (10 minutes) - <p><i>Based on the outcomes of the previous sessions, we will arrange 3 groups to discuss the feasibility of the proposed insurance models and discuss the guiding questions</i></p>	
15:45 – 16:00	<p><i>Q&A session</i></p> <ul style="list-style-type: none"> - Gathering final remarks and feedback from breakout groups 	
16.00 – 16.30	<p><i>Closing Remarks, Summary and Open Networking</i></p> <p><i>Mr. UnniKrishnan Divakaran Nair, Head of Climate Change, Commonwealth Secretariat</i></p> <p><i>Ms. Louise Baker, Managing Director, The Global Mechanism of UNCCD</i></p>	UNCCD, Commonwealth Secretariat

Guiding Questions for discussion

Discussion and Consultation 1 : Change Pathways for operationalizing on and scaling SLM linked insurance

- How can parametric insurance models be effectively integrated with sustainable land and water management practices to enhance disaster resilience?
- What strategies can be employed to ensure the active participation of local communities, governments and the private sector in developing and implementing integrated solutions?
- What are the key challenges and opportunities in scaling up the integration of parametric insurance and sustainable land and water management practices to a regional or global level?
- How can technology, including remote sensing, mobile technologies, or machine learning, be leveraged to improve the effectiveness and efficiency of parametric insurance products and sustainable management practices?

Discussion and Consultation 2: Enhancing Disaster Preparedness and Response with SLM linked Insurance

- How do parametric insurance models facilitate effective disaster preparedness?
- What integration strategies are most effective for combining SLM with insurance models?
- How can adoption of SLM practices be incentivized through insurance policy adjustments?
- What metrics and indicators should be developed to measure the added-value of sustainable management practices related to reduced socioeconomic drought impacts?
- What novel financial models or mechanisms can be developed to support investments in sustainable land and water management as a risk reduction measure for parametric insurance?

Discussion and Consultation 3 : Policy and Stakeholder Engagement in SLM and Insurance Integration

- How can policy frameworks be adapted to support the integration of insurance and SLM?
- What strategies can ensure active participation from all relevant stakeholders in these integrated solutions?
- How can technological innovations like remote sensing or machine learning improve the effectiveness of these models?
- What are the challenges and opportunities in scaling up these integrated approaches to a regional or global level?

Appendix: Categorized Follow-Up Questions for Roundtable Discussions

This appendix organizes the follow-up questions into relevant categories to facilitate focused discussions during the roundtable on "Enhancing Climate Resilience: Integrating SLM and Index Insurance."

These questions are intended to deepen the analysis and dialogue in each category, helping participants explore complex issues and collaborative solutions during the roundtable discussions.

Affordability and Cost Effectiveness

- How do parametric insurance models support effective disaster preparedness and response? (Preparatory question)

Premium Incentives

- In what ways can the adoption of sustainable land and water management practices be incentivized through reduced premiums in parametric insurance policies?
- Are there existing costing models that estimate the premium savings related to sustainable land and water management?

Impact Measurement

- What metrics and indicators should be developed to measure the added-value of sustainable management practices related to reduced socioeconomic drought impacts?
- What metrics are crucial for assessing the socioeconomic benefits of SLM in reducing drought impacts?

Policy Frameworks

- How can policy frameworks be adapted to encourage the symbiotic relationship between parametric insurance and sustainable land and water management?
- Which existing policy frameworks would you prioritize in this regard?
- How can adoption of SLM practices be incentivized through insurance policy adjustments?

Stakeholder Engagement

- What strategies can be employed to ensure the active participation of local communities, governments, and the private sector in developing and implementing integrated solutions?
- Who are the main stakeholders in the target country/region?

Technological Innovations

- How can technology, including remote sensing, mobile technologies, or machine learning, be leveraged to improve the effectiveness and efficiency of parametric insurance products and sustainable management practices?
- Which targeted technical capacity building initiatives are needed to avoid the perception of these technologies, novel datasets, or methods as 'not trustworthy' or analytical black boxes?

- How can governments or public-private partnerships effectively employ or leverage technological innovations for promoting parametric insurance and sustainable land management practices?

Financial Models

- What novel financial models or mechanisms can be developed to support investments in sustainable land and water management as a risk reduction measure for parametric insurance?
- Could the coupling of parametric insurance with approaches like risk contingent credit be promising?

Scaling and Future Perspectives

- What are the key challenges and opportunities in scaling up the integration of parametric insurance and sustainable land and water management practices to a regional or global level?
- Looking ahead, what are the potential future trends in climate change that could impact the relationship between parametric insurance and sustainable land and water management, and how can we prepare for these changes?
- Are there contradicting trends that could become an issue, such as the East Africa paradox?

(Changes in distribution of rainfall leading to increased drought conditions without overall less rainfall being observed)

Reducing Basis Risk

- How can the convergence of evidence approach, which relies on at least two or three independent climate observations, be applied in the design of parametric insurance indices to reduce basis risk, increase transparency, and enhance accountability?
- How can existing platforms that leverage the convergence of evidence approach, such as the World Bank's NextGen platform, be utilized?