

Building a
Global Agricultural Insurance Mechanism
under the UNFCCC

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Background

Agriculture is the backbone of Kenyan economy (GDP, food security and employment)

- Directly contributes about 25.4% of the GDP
- Indirectly about 27% of GDP through agro-based industries and the service sector.
- provides over 65% of Kenya's exports,
- provides about 60% of total employment
- supports over 80% of the rural population

Over 84% of Kenyan landscape is either Arid or Semi Arid

- Agriculture is 98% rainfed,
- Mainly small scale
- Highly vulnerable to climate change (High risk business)

Background

Losses in the agricultural sector due to climate change

- Shrinking of the High Potential (High rainfall areas)
 - Reduction of the suitability of Tea and Coffee zones (Shrinking)
 - Emergence of new crop and livestock pests and diseases, and other challenges
 - Huge economic losses
 - In 2008 – 2011 drought cycles, losses estimated to be over US\$12.1 Billion
- Climate Change therefore threatens Kenya's agriculture sector and retards (at times reverses) her development efforts

Kenya's responses to address Climate Change Impacts

Legal and Institutional Framework

- Vision 2030
 - Constitution of Kenya, 2010
 - MTPs, MTEFs
 - Political Party Manifestos (Current Jubilee Manifesto)
- National Climate Change Response Strategy, 2010
- National Climate Change Action Plan(s) (2013-2017; 2018 – 2022)
- National Climate Change Framework Policy (Draft)
- National Adaptation Plan
- ASDS; Kenya Climate Smart Agriculture Strategy
- Kenya Climate Smart Agriculture Framework Programme (2016 – 2030) – mentioned in Kenya's INDC for agriculture actions

Addressing Climate Change Challenges

- Climate Change Act, 2016
 - National Climate Change Council (Chaired by the President)
 - Climate Change Directorate
 - Climate Change Fund
- Signatory to the UNFCCC
 - Submitted INDC
 - Signed the Paris Agreement (22nd April)
 - Ratification process underway

Addressing Climate Change Challenges

- **Reacting** to Climate Change related **emergencies**
 - Relief food, feed (pasture) and water
 - Relief seed (and fertiliser)
 - Animal off-take
- **Reducing** climate change **impacts in the agricultural sector**
 - Programs, projects (ACCI, KACCAL, NAAIAP, THVC, ASDSP, KCSAFP, CSAP, etc) *that promote CSA principles*
 - ✓ Participatory Scenario Planning (PSPs)
 - ✓ Enhancing Agricultural Advisory Services
 - ✓ Sustainable Natural Resource Management
 - ✓ Enhancing access to appropriate quality inputs
 - ✓ Enhancing efficiency in value chains
 - Ending Drought Emergencies
- Climate **risk transfer**
 - Agricultural insurance (KNAIP, Kilimo Biashara, Kilimo Salama)

Loss and Damage in the UNFCCC

History of Loss and Damage in UNFCCC

- During the negotiation to adopt the UNFCCC AOSIS proposed the **establishment of an insurance pool** for **vulnerable** countries, **funded by mandatory contributions** from **developed** countries [WAS UNSUCCESSFUL]
- Bali Action Plan (2007), coined term ‘loss and damage’, firmly entered into the UNFCCC negotiation agenda **under the adaptation pillar**
- Under the Cancun **Adaptation** Framework at COP16 (2010) the “Work Programme on Loss and Damage” was finally agreed

Loss and Damage in the UNFCCC

- COP 18 in Doha (2012), defined scope for loss and damage focussing on
 - (i) knowledge on risk management approaches
 - (ii) strengthening dialogue among stakeholders and
 - (iii) enhancing action to support loss and damage – including finance, technology and capacity building
- The Warsaw International Mechanism was agreed at COP19 in 2013 – institutional arrangements to address LD
 - Executive Committee
 - 2 year Workplan with nine action areas
 - Address **issues insufficiently addressed** by mitigation and adaptation policies under UNFCCC
 - Development of a 5 year workplan to be adopted in COP 22
 - Provide basis for continuation of the Mechanism beyond 2016

The Paris Agreement

- Article 8 is **entirely** dedicated to loss and damage; while 8.4.(f) lists, areas of cooperation and facilitation to enhance understanding, action and support to include “**Risk insurance facilities, climate risk pooling and other insurance solutions**”
- Provides avenues for support for Agricultural Insurance

Support = Mechanisms for Finance; Capacity building and Technology development and transfer

Global Agriculture Insurance Mechanism: Feasibility?

- Global agriculture insurance mechanism is feasible due to:
 - Global policy/legal framework under the PA
 - Institutional framework under the UNFCCC (WIM)
 - General agreement over need as evidenced by political goodwill
 - Overwhelming evidence over the impacts in IPCC AR5

Global Agriculture Insurance Mechanism: Opportunities, Challenges and Risks

Opportunities

- Entrenchment of L&D in the PA – chance to shape its evolution
- Review of WIM at Marrakesh, Morocco (November, 2016)
- Climate Finance Mechanisms (e.g GCF)
 - Potential to address agriculture insurance challenges
- Supporting push from the “issues related to agriculture discussions in SBSTA”

Challenges/Risks

- Reluctance by **developed*** countries to fully embrace LD
- Poor capacity (numbers, skills, facilitation) among negotiators and technical experts from developing countries
 - Future evolution of the AgInsurance under UNFCCC to be slow

Global Agriculture Insurance Mechanism: Ensuring fairness, affordability and effectiveness

- **Flexibility:** Architecture should ensure the mechanism is responsible to **local circumstances** and capabilities
 - Farming systems (eg. complexities in subsistence mixed farming)
 - legal, policy and institutional frameworks
 - vulnerabilities (risks),
 - Socio-cultural considerations,
 - Embracing existing technology and innovations

[Access to Climate Finance has been hampered by conditions set to access them]

Global Agriculture Insurance Mechanism: Ensuring fairness, affordability and effectiveness

- **Facilitative:** Enhance demand and supply of affordable agricultural insurance
 - Participation of farmer, public and private sector
 - Remove barriers that make insurance expensive
 - ✓ Basis risk
 - ✓ 'moral' hazard
 - ✓ Reinsurance costs

Recommendation:

- Regional/Continental level → Strengthen Reinsurance Programs
- National/Local levels → Strengthen Public and private insurance programs
- Grassroot levels → Farmer groups/cooperatives

Conclusion

- Climate change presents both **challenges** as well as **opportunities**
- Africa and Asia should **seize the opportunities** arising from the global discourse for a **climate resilient, low emission sustainable development**

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