Building a Global Agricultural Insurance Mechanism under the UNFCCC

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PRESENTED AT THE Africa-Asia Conclave on Loss and Damage due to Climate Change, 25 – 26th August, 2016, EASTLAND HOTEL, NAIROBI, KENYA
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 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 (22\textsuperscript{nd} 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 focusing 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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