

Climate Risk Financing in Cooperation with ASEAN



Context

Climate-change induced extreme weathers and natural disasters pose a threat to economic well-being and food security in the ASEAN region, which is home to 650 million people. It is estimated that around 40% of ASEAN working population are in agriculture sector. According to the Global Climate Risk Index 2020, four of the ten countries most affected by climate change worldwide are in the ASEAN region: Myanmar, the Philippines, Thailand and Vietnam.

Due to the high weather-dependence of agriculture, farmers are particularly at risk from increasing extreme weather events. In 2017, people lost their lives in ASEAN and an estimated 9.9 billion US dollars were lost due to weather-related disasters. Governments often have difficulties in providing sufficient and timely funding for support and rehabilitation measures for the agricultural sector. Therefore, funding mechanisms that address these issues are becoming increasingly important for adaptation to climate change in the region, particularly, in agricultural sector.

Objective

Climate Risk Insurance is a financial instrument, which could help to mitigate possible economic loss from crop failure. Nevertheless, there remain challenges in technical knowledge/capacity and cross-sectoral coordination both at regional and national level. To overcome such challenges, the project aims to:

- Improve the political framework conditions for the promotion of climate risk financing at ASEAN level, for example, by including crop insurance as another disaster risk management tool in the future ASEAN cooperation framework "Strategic Plan of Action for ASEAN Cooperation on Crops" (2021-2025); and
- Strengthen capacity and collaboration with knowledge transferred in the ASEAN Region and in its ASEAN Member States (AMS)

Approach

- **Improving political framework conditions:** Together with relevant ASEAN bodies and ASEAN Member States, the project facilitates to establish a joint ASEAN framework/coordination mechanism for climate risk financing with a potential focus on the agricultural sector. It is planned to include crop insurance as another disaster risk management tool in the future ASEAN cooperation framework of the Strategic Plan of Action on Crops (2021-2025), which is to be formulated in 2020.
- **Development of structures and capacities for knowledge transfer:** This is to create a regional and cross-sector knowledge platform in the field of climate financing/insurance in collaboration with the **ASEAN Disaster Risk Finance and Insurance Programme (ADRFI)** to support the provision of financing and insurance solutions for disaster risks in ASEAN. The platform is to be used specially to establish finance and agriculture sectors cooperation and joint knowledge sharing. To identify further needs at state level, existing climate risk financing strategies will be analysed on the basis of existing GIZ studies on sovereign risk transfer, including agricultural insurance. Possibilities to strengthen technical capacity of public and private actors in selected ASEAN countries and in implementation of an insurance pilot to cover climate risks in the agricultural sector will be further explored.
- **Outlook for future collaboration:** This includes discussions with potential regional ASEAN partner organisations, national project partners in selected AMS, and other international organisations/donors.

Results so far

Together with ADRFI, the ***ASEAN Capacity Building Workshop on Disaster Risk Financing and Insurance in the Agricultural Sector*** is to be organised in 2020 to offer national and regional knowledge exchange and update on the disaster risks financing and insurance in agriculture sector. Also, it is expected that a joint understanding of cross-cutting roles and responsibilities will be created among participants to further promote agriculture insurance as a disaster risk financing instrument on ASEAN-level and in the ASEAN Member States. The Workshop will collect ideas for potential cross-sectoral collaboration, continued exchange, and possible joint action for later activities.

Commissioned by: The Federal Ministry for Economic Cooperation and Development (BMZ)

Countries: 10 ASEAN Member States

Project partners: Association of Southeast Asian Nations through ASEAN Secretariat

Project duration: January/2020 – June/2021

More Information: <https://www.asean-agrifood.org/stock-taking-of-country-profile-crop-insurance-in-asean>

Contact: Dr. Anja Erlbeck

E-mail: anja.erlbeck@giz.de