



FRAMEWORK CONVENTION ON CLIMATE CHANGE - Secretariat  
CONVENTION - CADRE SUR LES CHANGEMENTS  
CLIMATIQUES - Secrétariat

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## NATIONAL ADAPTATION PROGRAMMES OF ACTION

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Summary of Projects on Insurance identified in Submitted NAPA as of  
September 2008

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Bangladesh	Exploring options for insurance to cope with enhanced climatic disasters	1
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# BANGLADESH

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## NAPA PRIORITY PROJECT NO. 15

### EXPLORING OPTIONS FOR INSURANCE TO COPE WITH ENHANCED CLIMATIC DISASTERS

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#### TYPE OF PROJECT

Research (with policy elements)

#### RATIONALE

Insurance can be a significant means of risk reduction for different vulnerable sectors, including property, infrastructure, agriculture, etc). However, the insurance market and its possibilities is little understood in these different sectors.

#### DESCRIPTION

##### Objectives and activities

- To explore the possibility of insurance market for climate vulnerability in different vulnerable sectors in the country.

##### Inputs and Activities

- Experts on insurance and different sectors (including infrastructure, agriculture, transport, etc) to be hired to carry out study in consultation with stakeholders from vulnerable sectors.

##### Short-term outputs

Policy recommendations on how to develop the insurance market to reduce risk of climate impacts.

##### Potential long-term outcomes

- Improved risk reduction of key vulnerable sectors through insurance market.

#### IMPLEMENTATION

##### Institutional arrangement

Primary implementing agency: DOE (to hire consultants and experts).

Secondary implementing agencies: Universities, Research institutes.

##### Risks and barriers

- Possibility that insurance companies may not wish to invest in climate sensitive areas.

##### Evaluation and monitoring

- Review committee to review study reports.

#### COST

An indicative and tentative financial resource estimate for the activities provided below:

*Full Project: USD0.2 million*

*Project design: USD 25,000*

# ETHIOPIA

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## NAPA PRIORITY PROJECT 1

### PROMOTING DROUGHT/CROP INSURANCE PROGRAM IN ETHIOPIA

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#### RATIONALE/JUSTIFICATION

Ethiopia is highly vulnerable to drought.. Drought is the single most important climate related natural hazard impacting the country from time to time. Ethiopian economy depends on rain-fed agriculture. 85% of the population livelihood is contingent upon this sector. But, climate extremes shackle the livelihood and economy of the country as it is closely linked to recurrent drought. Cases in points are the 1965, 1976, 1979, 1982, 1984, 1987, 1990-1992, 1997, 2002/3 droughts that resulted in poor crop production and economy. The 2002/3 drought affected 14, 000 peoples livelihood, particularly farmers. Drought insurances will minimize these shocks. The recurrent drought occurrences and population affected time series data reveal that population affected increases abruptly with time. To partially reverse this statistics and sustain the farmers' livelihood in the drought prone areas, drought insurance is one of the solutions. It will as well ease the impacts from climate change shocks.

Poor farmers face highly uncertain risks with a lot to loose. Because of their high risk they don't have access to credit. Weather insurance opens up the possibility to credit. Insurance is one way of weather risk coping mechanism. It is a risk management tool.

#### DESCRIPTION

##### Objectives

- Contribute to risk-management system to protect the livelihoods of Ethiopian farmers vulnerable to recurrent drought risk;
- Demonstrate the feasibility of establishing contingency funding for an effective aid response in drought years.

##### Activities

- Undertake assessment of needs and current situation;
- Undertake consultation with stakeholders;
- Build capacity for insurance design;
- Acquisition of facilities;
- Short and long term training of personnel on climate change issues;
- Preparation of full project proposal.

##### Short-term outputs

- Drought Indices and insurance design developed;
- Increased number of farmers insured for drought;
- Capacity building and training of key actors;
- Studies, research and assessments of various aspects of weather/drought insurance.

##### Potential long-term outcomes

- Enhanced coping mechanism and adaptive capacity to drought impacts

## IMPLEMENTATION

### **Institutional arrangement**

Ministry of Agriculture and Rural Development will lead the coordination of the project. Other stakeholder institutions include the National Meteorological Agency, Disaster Prevention and Preparedness Agency, National/ international insurance company

### **Risks and barriers**

Lack of finance, lack of technical capacity

### **Evaluation and monitoring**

A project steering committee composed of representatives from stockholders will oversee the project. Regular progress reports will be submitted to all concerned bodies by the lead institution and field visits will be conducted as appropriate. Evaluation of the project will be carried out by independent technical experts.

## COST

Estimated (indicative and tentative) project cost

*Full project implementation: USD 8 million*

*Project design: USD 100,000*