

---

**Compilation of relevant documents for Action Area 7, activity (d) of the Excom workplan**

**Action Area 7:** Encourage comprehensive risk management by the diffusion of information related to financial instruments and tools that address the risks of loss and damage associated with the adverse effects of climate change to facilitate finance in loss and damage situations in accordance with the policies of each developing country and region, taking into account the necessary national efforts to establish enabling environments. These financial instruments and tools may include: comprehensive risk management capacity with risk pooling and transfer; catastrophe risk insurance; contingency finance; climate-themed bonds and their certification; catastrophe bonds; and financing approaches to making development climate resilient, among other innovative financial instruments and tools

**Activity (d):** Invite Parties and relevant organizations to provide information on best practices, challenges and lessons learned from existing financial instruments at all levels that address the risk of loss and damage associated with the adverse effects of climate change

**Expected results:** Improved understanding by public bilateral and multilateral institutions and funds, private financial institutions and developed and developing countries on the range of financial instruments and tools to enhance action and support, including finance, technology and capacity-building, to address loss and damage associated with the adverse effects of climate change

This note compiles the following relevant documents in relation to Action Area 7, activity (d):

1. Draft guideline for initial action as at the conclusion of Excom 1..... *Page 2*
2. Co-chairs' proposal for a finalized guideline for initial action as shared with the members on 18 December 2015..... *Page 3*
3. Co-chairs' proposal for a draft call for submissions and a summary of further discussion points, taking into account the proposed finalized guideline and feedback received from members..... *Page 4*

1. Draft guideline for initial action as at the conclusion of Excom 1

AA 7 D	A	B	C	
<p><b>Outreach and engagement with the private sector to understand factors that contribute to an enabling environment for private sector participation, opportunities and challenges, and how the private sector can engage to support viable implementation of measures to address loss and damage.</b></p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>In the experience of the private sector, what factors contribute to an enabling environment where the public and private sector can work together to address loss and damage (rating agencies, regulatory framework, licensing for development, risk data and risk aggregators, etc.)</li> <li>Where do private sector organizations see opportunities and challenges to engage around climate impacts (investment, risk</li> </ul>	<ul style="list-style-type: none"> <li>There are tools specifically listed in AA7 as addressing the risk of L&amp;D: Comprehensive risk management capacity with risk pooling and transfer; catastrophe risk insurance; contingency finance; climate-themed bonds and their certification; catastrophe bonds; and financing approaches to making development climate resilient, among other innovative financial instruments and tools.</li> <li>These address different levels of intervention (individual, group, national, region, global, etc.) and different entities (individual, business, government, institution, etc.).</li> <li>Through a request for submissions to Parties and relevant organizations, the Excom could collate the responses received</li> <li>We could then use the info received in a way that we see fit, especially in relation to</li> </ul>	<p><b>Parameters</b></p> <p><b>Activities</b></p> <p>Call for submission to parties and observers and relevant organizations to provide information .....</p> <p>consider compiling collate a mapping of relevant instruments and tools</p> <p>There are tools specifically listed in AA7 as addressing the risk of L&amp;D: Comprehensive risk management capacity with risk pooling and transfer; catastrophe risk insurance; contingency finance; climate-themed bonds and their certification; catastrophe bonds; and financing approaches to making development climate resilient, among other innovative financial instruments and tools.</p> <p>These address different levels of intervention (individual, group, national, region, global, etc.) and different entities (individual, business, government, institution, etc.).</p>	<p><b>Outputs</b></p> <p>Synthesize the submissions to consider at the next meeting of Excom</p> <p>The mapping would assist in identifying gaps in financial instruments and tools, and recommendations as to how to fill those gaps</p>	
		<p>This could be an open invitation similar to the example of the TEC that Miwa provided, with invitation and incoming information posted to a UNFCCC webpage (e.g. <a href="http://unfccc.int/tclear/templates/render cms page?s=TEM tec cfi ee">http://unfccc.int/tclear/templates/render cms page?s=TEM tec cfi ee</a>). To announce this, notifications could be sent to Parties (focal points) and observer organisations (focal points) – but check with secretariat for appropriate process. Scope</p>		

<p>management, restoring damage, etc.)?</p> <ul style="list-style-type: none"> <li>How / to what extent can private sector organizations provide technical expertise, risk finance, and other forms of engagement to support the viable implementation of measures to address loss and damage?</li> </ul> <p>Possible outputs:</p> <ul style="list-style-type: none"> <li>Information on best practices, challenges and lessons learned from existing financial instruments utilized or provided by the private sector that address the risk of loss and damage associated with the adverse effects of climate change</li> </ul>	<p>activity 7d and AA9 (5 year workplan)</p> <ul style="list-style-type: none"> <li>Special attention could also be paid to instruments that are applied in the context of other Activity Areas of the work programme, for example in social protection (AA2) or preparedness and response (AA5) contexts, among others.</li> <li>Question of which are the “relevant organizations” as described in activity d. I don’t have a complete list in mind, but at the least, I would suggest DFIs (including national development banks, microfinance institutions, revolving loan funds), IFIs (including MDBs, regional development banks, bilateral development banks)</li> </ul>	<p>of information required appears fairly clear in the workplan.</p> <ul style="list-style-type: none"> <li>We could then use the info received in a way that we see fit, especially in relation to activity 7d and AA9 (5 year workplan)</li> <li>Special attention could also be paid to instruments that are applied in the context of other Activity Areas of the work programme, for example in social protection (AA2) or preparedness and response (AA5) contexts, among others.</li> </ul> <p><b>Outreach and engagement with the private sector to understand factors that contribute to an enabling environment for private sector participation, opportunities and challenges, and how the private sector can engage to support viable implementation of measures to address loss and damage.</b></p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>In the experience of the private sector, what factors contribute to an enabling environment where the public and private sector can work together to address loss and damage (rating agencies, regulatory framework, licensing for development, risk data and risk aggregators, etc.)</li> <li>Where do private sector organizations see opportunities and challenges to engage around climate impacts (investment, risk management, restoring damage, etc.)?</li> <li>How / to what extent can private sector organizations provide technical expertise, risk finance, and other forms of engagement to support the viable implementation of measures to address loss and damage?</li> </ul> <p>Possible outputs:</p> <ul style="list-style-type: none"> <li>Information on best practices, challenges and lessons learned from existing financial instruments utilized or provided by the private sector that address the risk of loss and damage associated with the adverse effects of climate change</li> </ul>
		<p><b>Timeline for submission:</b></p> <p>Call for submission by the Secretariat – three weeks from now</p> <p>Deadline and Synthesis of submission – to be presented on the next meeting (depends when next meeting will get scheduled)</p>

## 2. Co-chairs' proposal for a finalized guideline for initial action as shared with the members on 18 December 2015

**Consolidated guidance for initially undertaking Action Area 7, activity (d)** -- Invite Parties and relevant organizations to provide information on best practices, challenges and lessons learned from existing financial instruments at all levels that address the risk of loss and damage associated with the adverse effects of climate change

### I. Parameters

- Call for submission to Parties and observers and relevant organizations to provide information → Output: Secretariat will draft call for submission; Excom will review and finalize draft at Excom2.
- Secretariat to compile/collate a mapping of relevant instruments and tools<sup>1</sup> → Output: The mapping would assist in identifying gaps in financial instruments and tools, and recommendations as to how to fill those gaps

### II. Format

- This could be an open invitation similar, with invitation and incoming information posted to the UNFCCC webpage<sup>2</sup>
- To announce this, notifications would be sent to Parties (focal points) and observer organizations (focal points) – secretariat to advise on appropriate process
- Scope of information to be requested would be as described in the workplan
- We could then use the info received in a way that we see fit, especially in relation to activity 7a, 7e and AA9 (5-year workplan)
- Special attention could also be paid to instruments that are applied in the context of other Activity Areas of the work programme, for example in social protection (AA2) or preparedness and response (AA5) contexts, among others

### III. Timeline for submission

- Call for submission by the Secretariat – immediately after Excom2
- Deadline for responses and for Synthesis of submissions – to be decided at Excom2

**IV. Outreach and engagement with the private sector to understand factors that contribute to an enabling environment for private sector participation, opportunities and challenges, and how the private sector can engage to support viable implementation of measures to address loss and damage – initial thoughts, to be considered at Excom2, with a view to creating a call for submissions for specific private sector actors and entities.**

- In the experience of the private sector, what factors contribute to an enabling environment where the public and private sector can work together to address loss and damage (rating agencies, regulatory framework, licensing for development, risk data and risk aggregators, etc.)?
  - Where do private sector organizations see opportunities and challenges to engage around climate impacts (investment, risk management, restoring damage, etc.)?
  - How / to what extent can private sector organizations provide technical expertise, risk finance, and other forms of engagement to support the viable implementation of measures to address loss and damage?
- ➔ Output: Information on best practices, challenges and lessons learned from existing financial instruments utilized or provided by the private sector that address the risk of loss and damage associated with the adverse effects of climate change

<sup>1</sup> There are tools specifically listed in AA7 as addressing the risk of L&D: Comprehensive risk management capacity with risk pooling and transfer; catastrophe risk insurance; contingency finance; climate-themed bonds and their certification; catastrophe bonds; and financing approaches to making development climate resilient, among other innovative financial instruments and tools. These address different levels of intervention (individual, group, national, region, global, etc.) and different entities (individual, business, government, institution, etc.)

<sup>2</sup> For example, <[http://unfccc.int/ttclear/templates/render cms\\_page?s=TEM\\_tec\\_cfi\\_ee](http://unfccc.int/ttclear/templates/render cms_page?s=TEM_tec_cfi_ee)>.

### *3. Co-chairs' proposal for a draft call for submission and a summary of further discussion points*

#### **Call for submissions**

The Executive Committee of the Warsaw International Mechanism for Loss and Damage invites submission of information on **'best practices, challenges and lessons learned from existing financial instruments at all levels that address the risk of loss and damage associated with the adverse effects of climate change'**.

These financial instruments and tools may include: comprehensive risk management capacity with risk pooling and transfer; catastrophe risk insurance; contingency finance; climate-themed bonds and their certification; catastrophe bonds; and financing approaches to making development climate resilient, among other innovative financial instruments and tools.

In addition to the above, the information may also include those financial instruments in the context of social protection or those more broadly related to building resilience against loss and damage associated with extreme and slow onset events.

The information gathered through this call for submission will, in part, enable the Executive Committee to disseminate information on financial instruments and tools to address loss and damage, in order to encourage comprehensive risk management.

The Executive Committee looks forward to receiving relevant information at [loss-damage@unfccc.int](mailto:loss-damage@unfccc.int) by x date.

#### **Background**

The Conference of the Parties (COP), at its nineteenth session, established the Warsaw International Mechanism to address loss and damage associated with the adverse effects of climate change through its three main functions: enhancing knowledge and understanding of comprehensive risk management approaches; strengthening dialogue, coordination, coherence and synergies among relevant stakeholders; and enhancing action and support, including finance, technology and capacity building.

The Executive Committee is mandated to guide the implementation of these functions. The COP, at its twentieth session, approved an [initial two-year workplan](#) of the Executive Committee (Workplan).

Action Area 7 of the Workplan, under which the submission is called for, aims to encourage comprehensive risk management by the diffusion of information related to financial instruments and tools that address the risks of loss and damage associated with the adverse effects of climate change to facilitate finance in loss and damage situations in accordance with the policies of each developing country and region, taking into account the necessary national efforts to establish enabling environments.

Expected results of this Action Area, as envisioned by the COP, is to contribute to the improved understanding by public bilateral and multilateral institutions and funds, private financial institutions and developed and developing countries on the range of financial instruments and

tools to enhance action and support, including finance, technology and capacity-building, to address loss and damage associated with the adverse effects of climate change.

*Possible elements which the Excom may need to further consider (without prejudging its inclusion or final placement – i.e. annex or call for submissions):*

1. Coordination with the activities of SCF (see comments #1–2 below provided by members)
2. Reference to the Paris outcome (see comment #3 below)
3. Mapping of the collected info/Identification of gaps (see comments #4–5 below)
4. Consideration of a specific call for submissions for private sector actors and entities (see comments #6–7 below)

**Comment #1**

Given the involvement of the SCF in implementing other areas of this AA, perhaps we should consider coordinating work on this sub-area with the work of the SCF. It may be that many of these questions will be answered through proposed SCF activities.

**Comment #2**

We need to ensure that the information collected gets into the hands of decision makers and others who can use it, so that the gaps are filled/ addressed. Note that it would be useful to feed information gained from this sub-item into the 2016 SCF Forum 

**Comment #3**

Specific reference should be made to COP 21 outcome, Article 8 of the Agreement and para 49 of the associated Decision on insurance and risk transfer.

**Comment #4**

There is merit in the *Secretariat compiling/collating a mapping of relevant instruments and tools*. However, it is unclear as to how the mapping will show gaps, as existing instruments are not mapped against pre-defined needs and requirements. The parameters need to be agreed upon. What criteria will be used to assist in the identification of gaps? A slide from an Excom 1 presentation by Victor and Fatima on types of instruments (with myths and realities), coupled with relevant examples of what is happening now (e.g. CCR  ARC, PCRAFI and others along with opportunities and challenges) may be useful in guiding us.

**Comment #5**

Should there be an item for discussing how this mapping exercise will be done? What are the parameters?

***Initial thoughts by the co-chairs included in section IV of the proposal for a finalised guideline (page 3 above)***

*Initial thoughts, to be considered at Excom 2, with a view to creating a call for submissions specifically for private sector actors and entities:*

*Outreach and engagement with the private sector to understand factors that contribute to an enabling environment for private sector participation, opportunities and challenges, and how the private sector can engage to support viable implementation of measures to address loss and damage*

- *In the experience of the private sector, what factors contribute to an enabling environment where the public and private sector can work together to address loss and damage (rating agencies, regulatory framework, licensing for development, risk data and risk aggregators, etc.)?*

- *Where do private sector organizations see opportunities and challenges to engage around climate impacts (investment, risk management, restoring damage, etc.)?*
- *How / to what extent can private sector organizations provide technical expertise, risk finance, and other forms of engagement to support the viable implementation of measures to address loss and damage?*

**Comment #6**

What do countries with limited capacities, such as developing countries, SIDS, LDCs need to put in place to create the enabling environment for private sector participation? What policies are required? What capacities need to be built? What types of awareness activities are required? What incentives can be offered? How can these countries be supported in creating these enabling environments?

In terms of engagement, it may be a good idea to draw reference to the footnote associated with this AA that contains specific examples of relevant institutions and instruments that show some degree of regional representation where such bodies exist. Need to explore opportunities for strengthening those linkages/collaboration.

**Comment #7**

Would it be useful to have a specific outreach to existing organizations that are engaged in risk of loss and damage associated with adverse effects of climate change such as Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC) with a view to understanding the enabling environment they have in place, the challenges they experienced and their views on the way forward?