

# Establishing a Clearinghouse for Risk Transfer

## Background

COP 21, by its decision 1/CP.21, requested the Executive Committee (Excom) of the Warsaw International Mechanism (WIM) "to establish a clearinghouse for risk transfer that serves as a repository for information on insurance and risk transfer, in order to facilitate the efforts of Parties to develop and implement comprehensive risk management strategies". At the second meeting of the Excom (2-5 Feb 2016, Bonn/Germany), this request was considered, an expert briefing, as well as plenary and working group discussions took place on this topic. A "champions group" of Excom members volunteered to elaborate, intersessionally, on the output of the working group<sup>1</sup> and to come up with suggestions for a road map for the establishment of a clearing house for risk transfer. This paper serves this purpose by suggesting key elements and immediate next steps for consideration until and during the third meeting of the Excom.

## Draft Road Map

### 1) Definition – what is a clearinghouse?

The origins of the word *clearinghouse* lie in the banking sector where it is mainly defined as an "establishment maintained by banks for settling mutual claims and accounts"<sup>2</sup>. Meanwhile, the meaning of the term has expanded: it is used for any ~~kind of~~ facilities that serve as transit points for goods, services or information to be provided between the source of supply and its demand. In the area of environmental and development work, we find clearinghouse mechanisms primarily defined as a "central agency for the collection, classification, and distribution, especially of information; broadly: an informal channel for distributing information or assistance"<sup>3</sup>. As examples show, clearinghouses inside the UN system, as well as private sector mechanisms primarily focus on transmitting data and information as well as promoting, facilitating and strengthening scientific and technical cooperation.<sup>4</sup> Moreover, some private sector clearinghouses also include an advisory and support function. As the clearinghouse for risk transfer of the WIM is defined as a repository for (or storehouse, source of) information, it is embedded in a context accustomed to information platforms and portals.<sup>5</sup>

2) **Rationale – How can the WIM clearinghouse best add value to the implementation of risk transfer initiatives at the regional, national and sub-national levels? what is the added value of a WIM clearinghouse?** According to the mandate given by COP21, the rationale of the clearinghouse is to "facilitate the efforts of Parties to develop and implement

**Commented [A1]:** This chapter focuses on a rationale for risk transfer information, which is sound. However, a clear rationale for including insurance related information as a risk transfer instrument (and breaking down the contents of this information, for example vulnerability info/data, damage info/data), is not mentioned.

Also, as a title, based on the COP 21 decision, it appears that Parties have already agreed that there is value to a WIM clearinghouse. See suggestion for rephrasing

<sup>1</sup>[http://unfccc.int/files/adaptation/groups\\_committees/loss\\_and\\_damage\\_executive\\_committee/application/pdf/draft\\_road\\_map\\_for\\_establishing\\_a\\_clearinghouse.pdf](http://unfccc.int/files/adaptation/groups_committees/loss_and_damage_executive_committee/application/pdf/draft_road_map_for_establishing_a_clearinghouse.pdf)

<sup>2</sup> „Clearinghouse". In: Merriam-Webster Dictionary. Available at: <http://www.merriam-webster.com/dictionary/clearinghouse>

<sup>3</sup> "Clearinghouse". In: Merriam-Webster Dictionary. Available at: <http://www.merriam-webster.com/dictionary/clearinghouse>

<sup>4</sup> See discussion draft: Schäfer/Warner/Kreft 2016: Form follows function - Designing a risk transfer clearinghouse. Suggestions by MCII based on lessons learned from existing examples.

<sup>5</sup> See desk study Lessons learned about risk transfer clearinghouses; contribution by Koko Warner and Laura Schäfer (MCII) to the ExCom discussions, 2-5 February 2016, Bonn [http://unfccc.int/files/adaptation/workstreams/loss\\_and\\_damage/application/pdf/2016\\_excomm\\_clearinghouse\\_ideas.pdf](http://unfccc.int/files/adaptation/workstreams/loss_and_damage/application/pdf/2016_excomm_clearinghouse_ideas.pdf)

comprehensive risk management strategies” by providing “a repository for information on insurance and risk transfer”. The lack of information may be a barrier for the implementation of risk transfer and management strategies. However, it is likely that in many cases, already existing data and information are not translated into useable and policy-relevant information. Those in need of better information are often not aware of what information they actually require and often face a lack of credible information as well as scattered, untailored or too much information. The added value of the clearinghouse would be to synthesise (e.g. by systematic reviews), contextualise (e.g. by tailoring information to sector needs) and enrich (e.g. by incorporating local knowledge) existing information that is required to develop and implement risk transfer solutions.<sup>6</sup> As a result, there is an increased chance – increase – that the information tailored to specific country contexts and policy needs, types of risk and particular target groups and beneficiaries, will catalyse action. Moreover, information gaps can be more easily identified and addressed. On that basis, the clearinghouse could be a learning lab where actors gather around specific problems and stitch together relevant information and data to leverage and support the implementation of risk transfer approaches.<sup>7</sup>

**Commented [A2]:** The next paragraph already mentions it, but it would make sense to relate the added value of the clearing house specifically to (information) gaps in risk management strategies. Are there any general gaps that could be mentioned here?

The clearinghouse may focus on actionable information and knowledge that serves the development and implementation of risk transfer solutions. Simultaneously, however, it needs to ensure the link to comprehensive and integrated risk management approaches, incl. risk reduction and adaptation strategies at regional and national levels as well as other financial instruments besides risk transfer that address the risks of loss and damage (e.g. risk retention, contingency funds, social protection programmes – that allow for addressing hazards of different severity and frequency).

### 3) Functions – what purpose could the clearinghouse serve?

A risk transfer clearinghouse needs to be embedded in and serve the functions (as outlined in [Decision 2/CP.19](#)) and the efforts of the WIM to address loss and damage using risk transfer as part of comprehensive risk management approaches.<sup>8</sup> The initial two-year workplan of the Executive Committee prominently features the issues of comprehensive risk management and risk transfer, in particular, in Action Area (AA) 2 “Enhance the understanding of, and promote, comprehensive risk management approaches (...)” and AA 7 “Encourage comprehensive risk management by the diffusion of information related to financial instruments and tools that address the risks of loss and damage (...)”<sup>9</sup>

In line with the overall functions of the WIM, as well as AA 2 and 7 of the ExCom’s initial two-year workplan, the clearinghouse for risk transfer could feature the following functions, which are based on a discussion paper by Schäfer, Warner and Kreft 2016:<sup>10</sup>

- **Enhance understanding** by, inter alia,
  - **Managing** (i.e. collecting, translating and sharing) existing information and knowledge

**Commented [A3]:** Who will do this?

<sup>6</sup> The Climate Knowledge Brokers Manifesto – Informed decision making for a climate resilient future <http://www.climateknowledgebrokers.net/manifesto/> [01.03.2016].

<sup>7</sup> See: Schäfer/Warner/Kreft 2016: Form follows function - Designing a risk transfer clearinghouse. Suggestions by MCII based on lessons learned from existing examples.

<sup>8</sup> See Schäfer/Warner/Kreft 2016: Form follows function - Designing a risk transfer clearinghouse. Suggestions by MCII based on lessons learned from existing examples.

<sup>9</sup> See: Workplan of the ExCom of the WIM: Available at: [http://unfccc.int/adaptation/workstreams/loss\\_and\\_damage/items/8805.php](http://unfccc.int/adaptation/workstreams/loss_and_damage/items/8805.php) [01.02.2016].

<sup>10</sup> See desk study Lessons learned about risk transfer clearinghouses; contribution by Koko Warner and Laura Schäfer (MCII) to the ExCom discussions, 2-5 February 2016, Bonn [http://unfccc.int/files/adaptation/workstreams/loss\\_and\\_damage/application/pdf/2016\\_excomm\\_clearinghouse\\_idea.pdf](http://unfccc.int/files/adaptation/workstreams/loss_and_damage/application/pdf/2016_excomm_clearinghouse_idea.pdf)

- Enabling learning from good practices
- Stimulating research into open questions and emerging issues
- **Improve policy coherence** by, inter alia,
  - Connecting important actors in the field of risk transfer and comprehensive risk management (as well as other relevant communities)
  - Supporting collaboration, networking and exchange amongst different stakeholders
  - Highlighting important topics and debates at different policy levels
- **Enhance action and support** by, inter alia,
  - Providing guidance on how to successfully implement risk transfer solutions as part of comprehensive risk management approaches
  - Disseminating tools and methodologies for e.g. risk/loss and damage assessments
  - Providing information on available technical support

#### 4) Content and services – what information could be provided and how?

The clearinghouse may provide information on, inter alia,

- Where to find data and information on climate change and disaster risks by region or country (e.g. the World Bank's Climate Change Knowledge Portal<sup>11</sup>)
- Existing risk transfer approaches and insurance schemes (e.g. through a map-based data base)
- Actors and initiatives in the field of risk transfer and related fields (e.g. through mapping, links)
- How risk transfer, for example through ~~and~~ insurance, can be incorporated into comprehensive risk management strategies (e.g. by providing technical and regulatory guidelines and standards, policies case studies)
- Experts that could be addressed to provide technical assistance (e.g. through an expert roster)
- Latest news and events (e.g. through a newsletter and event calendar)

Information sources include official and public content held at the UNFCCC-Secretariat, as well as other international, national and sources at partner levels, with the purpose to facilitate global knowledge sharing and information exchange by allowing contributions from a whole network of institutions. Not all of the above content may need to be newly generated, but can be assessed from existing sources e.g. through linked open data standards and tools. To stimulate interaction, the clearinghouse could provide online submission and collaboration tools in a user workspace, encouraging Parties, experts, practitioners, and other stakeholders to maintain contact, share ideas, and work together (incl. through calls for collaboration, working groups etc.), while providing quick access to information directly related to each user's role and activities.<sup>12</sup> Technical possibilities and limitations of an interactive web portal under UNFCCC need to be assessed. If these possibilities are perceived as being too limited, opportunities for linking the UNFCCC web portal with other - more interactive - web platforms, could be identified.

Drawing from previous discussions during the Excom meeting and the examples of clearinghouses in the UN context, the main vehicle for the WIM clearinghouse should be an online platform. Some of the questions for the design of the clearing house are:

- Whether there will be meetings to support information exchange as part the work of the clearing house (besides the online portal and the meetings and events of the Excom),

<sup>11</sup> <http://sdwebx.worldbank.org/climateportal/>

<sup>12</sup> As suggested by the Excom member Valeriy Sedyakin in the draft "Proposed work programme (road map) for the establishment of a clearinghouse for risk transfer" (12 Feb 2016)

- What the intended level of interaction and sharing through the clearinghouse shall be<sup>13</sup>,
- And whether the clearinghouse will provide direct and tailored technical advice for the development of risk transfer solutions.

## 5) Target audience and beneficiaries – who benefits from the clearinghouse?

Ultimately, the beneficiaries of the clearinghouse are vulnerable population groups [Comment: This appears a bit narrow in focus. Risk transfer / insurance mechanisms can be implemented (and are) at a number of different levels, which implies a range of beneficiaries, including governments themselves – as with the CCRIF.] in particularly vulnerable developing countries that will benefit from the development and implementation of risk transfer solutions as part of comprehensive risk management strategies. The direct target audience [and beneficiaries](#) of the clearinghouse consists of the actors who are involved in the implementation of such strategies, incl. representatives from (sub-)national and local government institutions [Comment: Often more than just target audience, but beneficiaries as well. See comment above.], regional associations, the insurance sector and other private sector entities, the academic [and](#) research institutions as well as other risk management practitioners.

## 6) Stakeholders and partnerships – who should be engaged?

The WIM clearinghouse can learn from the experience of and cooperate with existing, clearinghouse-like platforms, as well as expert and practitioner communities in and outside the UN system in the field of climate change adaptation, disaster risk reduction and the insurance sector.<sup>14</sup> Creators and managers of other international clearinghouse mechanisms need to be consulted in order to learn from their good practice and identify synergies. Due to different perspectives, there is often a gap between what providers understand as [being](#) useful and what users recognise as usable information. Representatives of the above mentioned target audience/[beneficiaries](#) need to be engaged in order to ensure usability of the information. Analysing user needs and conducting usability tests are [a](#) vital step.

A crucial question for the further design of the clearinghouse is whether it should be convened under the UNFCCC (similar to TT:CLEAR, Technology Information Clearing House<sup>15</sup>). Hosting a platform outside the UNFCCC may provide more flexibility<sup>16</sup> when creating linkages and partnerships with other platforms, frameworks and initiatives, such as the G7 Initiative InsuResilience, the Climate Risk and Early Warning Systems Initiative (CREWS) and the Sendai Framework for Disaster Risk Reduction (SFDRR). [Comment: While these are examples only, please add CCRIF, PCRAFI and ARC here for representation]

## 7) Sustainability – how to maintain operations of the clearinghouse?

<sup>13</sup> A one way information portal used merely to disseminate information by the portal's hosts, for instance, will require a different set up than an exchange platform that aims for contributions by many.

<sup>14</sup> For examples, see desk study Lessons learned about risk transfer clearinghouses; contribution by Koko Warner and Laura Schäfer (MCII) to the ExCom discussions, 2-5 February 2016, Bonn [http://unfccc.int/files/adaptation/workstreams/loss\\_and\\_damage/application/pdf/2016\\_excomm\\_clearinghouse\\_ideas.pdf](http://unfccc.int/files/adaptation/workstreams/loss_and_damage/application/pdf/2016_excomm_clearinghouse_ideas.pdf)

<sup>15</sup> <http://unfccc.int/ttclear/pages/home.html>

<sup>16</sup> Upon request the UNFCCC secretariat stated that the UNFCCC website is based on Contents Management System (CMS), with a limited number of databases currently on the Sharepoint platform. As can be noticed e.g. on the Excom related webpages, the capability is quite limited on these platforms, especially regarding interactivity. External access is based on unique user IDs and passwords, and currently a very limited number of pages grant external access – e.g. the submission portal, which allows Parties to upload their own submission, the Technology portal and the Nairobi work programme portal.

Maintaining a clearinghouse primarily requires 1) a host to have sufficient and long-term means to enable managing the platform; and 2) relies on the interest and participation of the defined target audience [and beneficiaries](#). The former requires a long-term strategy for assuring support structures (i.e. a management unit or secretariat to maintain/update the platform's content and facilitate exchange) are in place. The interest in and attention of a clearinghouse increases with the number of users/providers of information actively engaged in the platform, as well as its strategic partners. Active participation in a clearinghouse is driven by self-interest. Therefore, user and demand orientation is crucial. It can be supported by providing credible, relevant and context-specific and thus useable information that helps users to take action. Clearly defining the unique features of the clearinghouse, i.e. "to provide information for the implementation of integrated risk transfer solutions in developing countries", will further increase interest and participation by the target audience/[beneficiaries](#).

### 8) Immediate next steps in 2016

#### *Until the third meeting of the Excom*

- Consolidate the draft road map amongst the group of champions, including a short list of relevant clearinghouses and information platforms
- Request [that](#) the Secretariat ~~to~~ invite representatives of clearinghouses and information platforms to present their lessons and good practice during the third Excom meeting
- Request [that](#) the Secretariat ~~to~~ prepare a paper (building on what has been presented during the second meeting of the Excom) that includes, inter alia, the following aspects: **[Comment: is this feasible to do before Excom3?]**
  - Synergies with existing clearinghouses, platforms and risk transfer initiatives and linkages to the wider process of risk management
  - Risk management approaches, including insurance and other forms of risk transfer and risk sharing mechanisms that are relevant for the clearinghouse **[Comment: We need to coordinate this with SCF as they prepare for the Forum.]**
  - Recipient structure and target audience/[beneficiaries](#) of the clearinghouse
  - Demand and needs of information users regarding design, functions and particularly, content that should be gathered in the clearinghouse **[Comment: Does the secretariat have the expertise required to determine this at this stage?]**
  - (Dis-)advantages of hosting the clearinghouse inside or outside the UN system
  - Models for hosting, maintaining and sustaining the clearinghouse

#### *During the third meeting of the Excom*

- Consult representatives of clearinghouses and information platforms
- Review the paper produced by the secretariat **[Comment: see comments above on certain aspects of the proposed paper.]**
- Initiate a discussion about role and functions of the WIM in [in helping to facilitate the use of facilitating insurance schemes / mechanisms](#) to address loss and damage
- Consider ~~including tasks for the establishing of the relationship between~~ the clearinghouse ~~in and the ToR for the~~ technical expert panel or group [being established](#) under AA 2 ~~of the two-year workplan~~
- Ask a working group, to develop an implementation plan for the clearinghouse

**Commented [A4]:** I do agree, that this time frame is unrealistic.

**Commented [A5]:** Changes made as the original wording appears to have jumped a step