Session 3

Approaches for risk retention and risk transfer

Summary

Lessons learned

- No one-size-fits-all approach
  - Risk transfer mechanisms do not reduce underlying risks
- Interdependency of approaches
  - Using certain tools to “unlock” other tools and approaches
- Community, national and regional risk transfer mechanisms can be complimentary
- Risk transfer/retention approaches can help safeguard economic development gains
- Private sector can play an important role with foundational support from governments

Range of approaches and tools

- Risk transfer for drought risk
  - largely focussed on crop production
- Index insurance
  - allows farmers to take risks but does not make life risk free
  - scaling of index insurance has been shown to be possible
- Social safety nets programmes and early warning systems
- Pooling risk and contingency funds

Foundational resource requirements

- Science/evidence base
  - Example of satellite based information
- Political buy-in
  - Both financial to raise capital
  - Long-term commitment
- Software and technical infrastructure
- Supporting infrastructure for private sector engagement
  - e.g. education on risk transfer approaches

Gaps and remaining challenges

- Information
- Managing changing nature of weather risks under climate change
- Scaling up of risk transfer/retention approaches
- Representing the views of beneficiaries