

SLYCAN Trust

**Developing country financing
on loss and damage: A case
study on **public risk transfer
mechanisms** to address loss
and damage **in Sri Lanka****

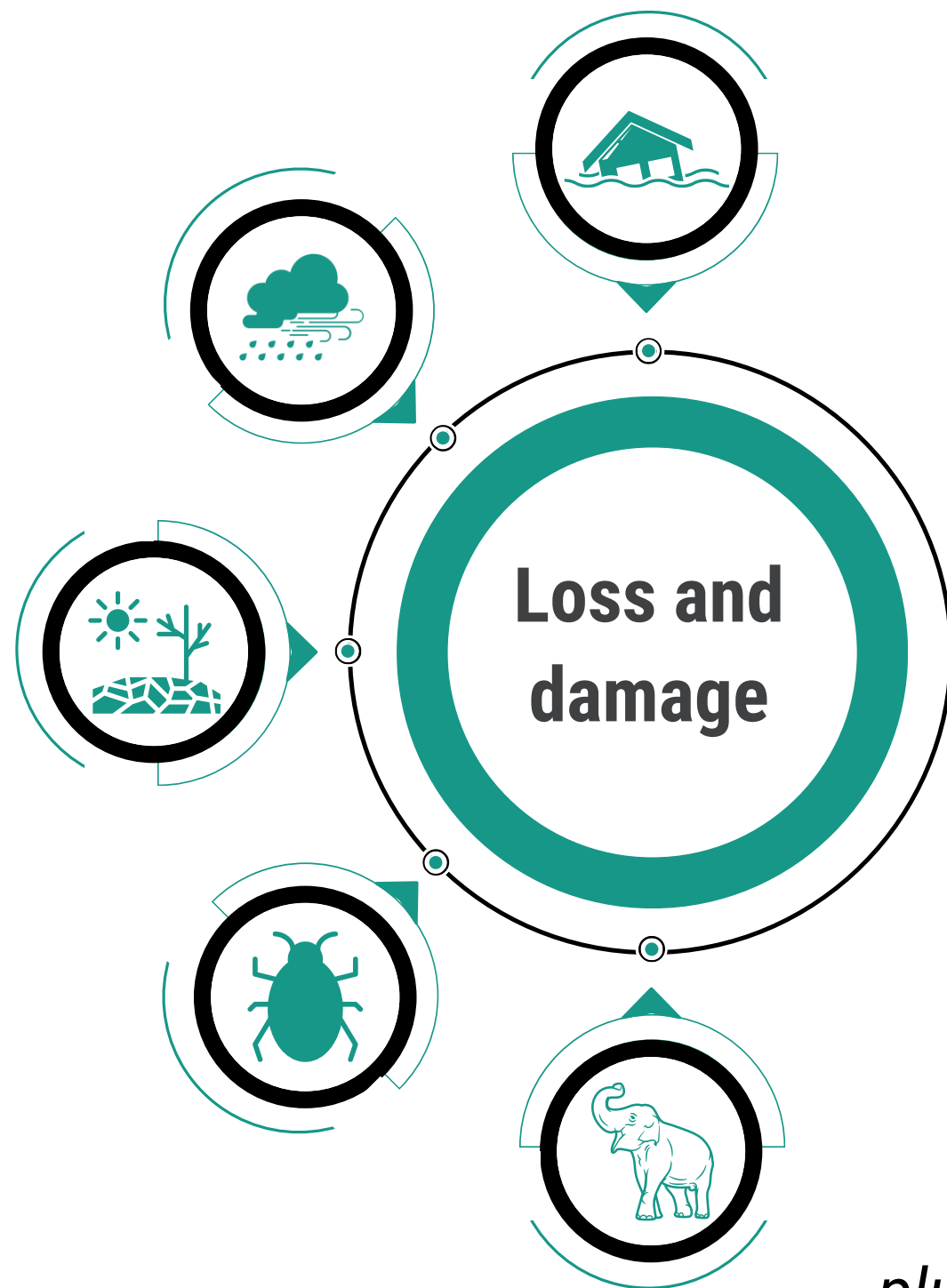
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**First workshop on addressing
loss and damage in the context of
decisions 2/CP.27 and 2/CM.4**

April 29th-30th, 2023



Loss and damage and public risk transfer in Sri Lanka



Public crop insurance scheme

- First pilot schemes in 1958; indemnity-based
- Covers losses and damages to six basic crops for all registered farmers; additional coverage available against premiums

National natural disaster insurance scheme

- Covers lives and properties of all households and SMEs against loss and damage caused by natural disasters

Loan protection scheme

- Covers losses to financial institutions that provide loans related to paddy cultivation

... plus pension and social security schemes, social protection, emergency funds



Current sources of finance

- National budget allocation
 - Crop levy on all financial institutions in the country (1% of profit)
 - Automatic premium collection from all insured farmers during purchase of subsidized fertilizer
 - Reinsurance (internal and external)
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Institutional architecture

- Agriculture and Agrarian Insurance Board (AAIB)
- Agrarian extension officers and local government authorities
- National Insurance Trust Fund (NITF) as national reinsurer
- Private sector

Policy environment

- NDCs (appropriate risk transfer), NAP (innovative risk transfer), CPP

Key challenges and needs

- Public risk transfer in developing countries can provide support to vulnerable groups and communities and build on existing institutional structures (extension officers, agro-advisory systems, databases, data collection mechanisms)
- However, access to external funding is needed to sustain them and respond to emerging needs in the face of increasing loss and damage
- Need for enhanced access to detailed weather data, projections, risk analytics etc.
- Challenges related to financial literacy and inclusion, establishing proof of land or livestock ownership
- Delay between impact and compensation payouts due to indemnity-based nature of the scheme



Opportunities for enhancement and expansion of L&D funding through public risk transfer

Technology transfer

- Invest in technology and digitization to increase speed, transparency, and reliability of assessments and payouts

Inclusive processes and distribution

- Improve distribution channels
- Strengthen inclusive and participatory processes that mainstream gender, youth, and intersectional vulnerabilities
- Include actors along the value chain



Innovative instruments

- Facilitate innovative product design and diversify available financial instruments

Local-level planning

- Connect loss and damage finance to local planning and entrepreneurship



Non-economic aspects and **human mobility**

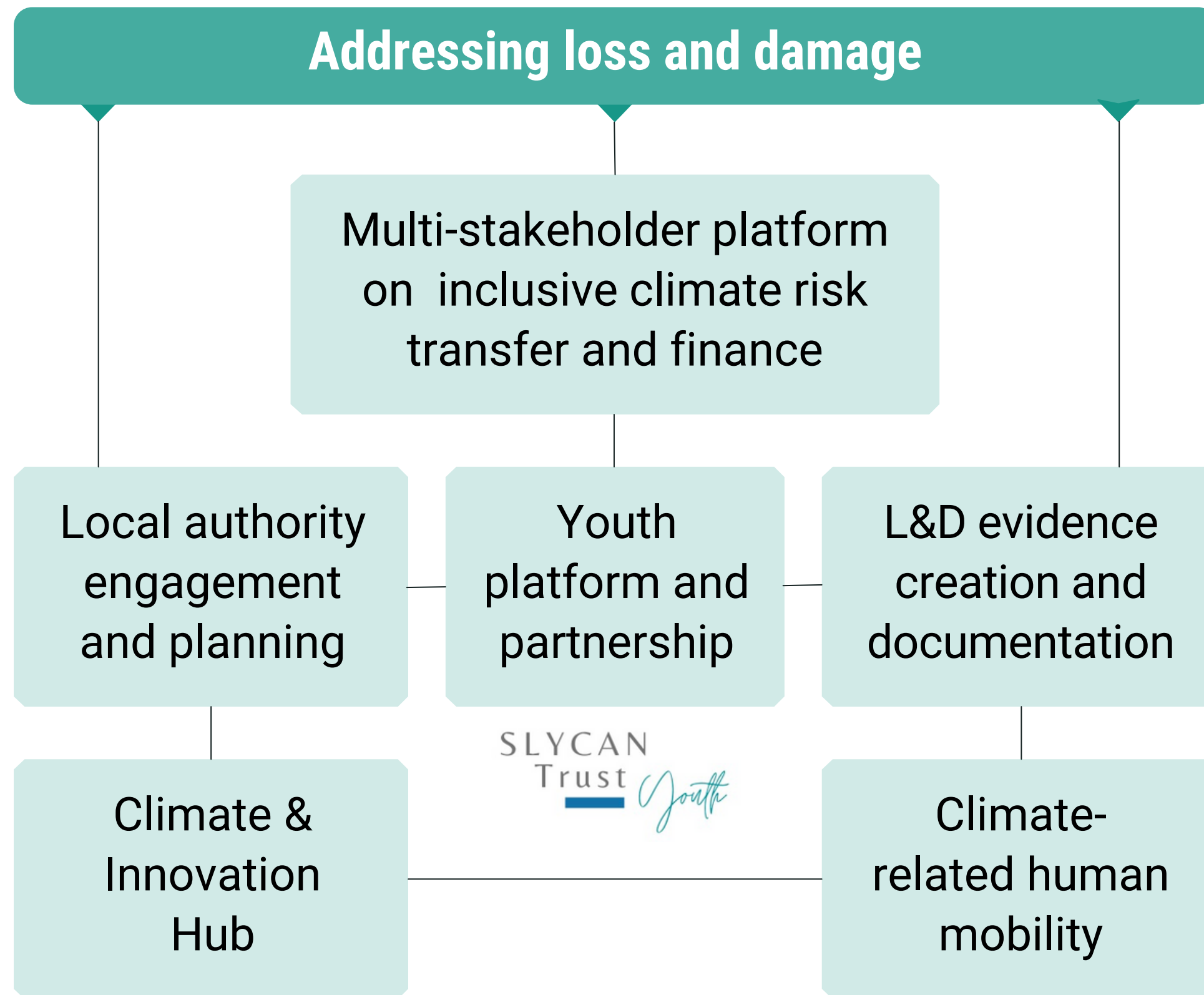
Climate-related migration

- Climate-related migration and cultural loss
- Support for migrants and their families
- Interlinking livelihoods and social protection

Planned relocation

- Resettlement out of high-risk areas where resilience-building is not viable
- Case study on landslide risk

Building on national systems for innovative approaches



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Thank you!

About SLYCAN Trust

SLYCAN Trust is an internationally recognised non-profit think tank focused on empowering climate action through evidence.

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