

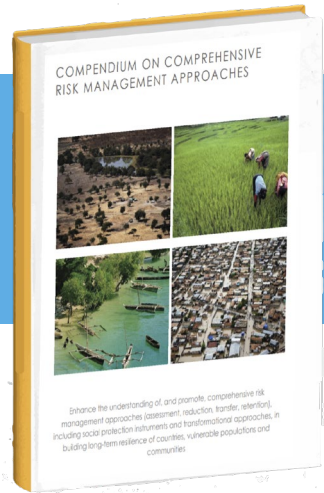


**United Nations**

Framework Convention on  
Climate Change

# COMPENDIUM ON COMPREHENSIVE RISK MANAGEMENT APPROACHES

**Executive Committee of the  
Warsaw International Mechanism  
for Loss and Damage**



# Compendium on Comprehensive Risk Management Approaches

- Developed by the ExCom, with inputs from the TEG-CRM.
- A tool that provides descriptions, latest insights from ongoing scientific and practical work and 37 case studies at all levels & across five geographical regions, for 6 types of risk management approaches and their interactions:

Risk  
assessment

Risk  
reduction

Financial risk  
transfer

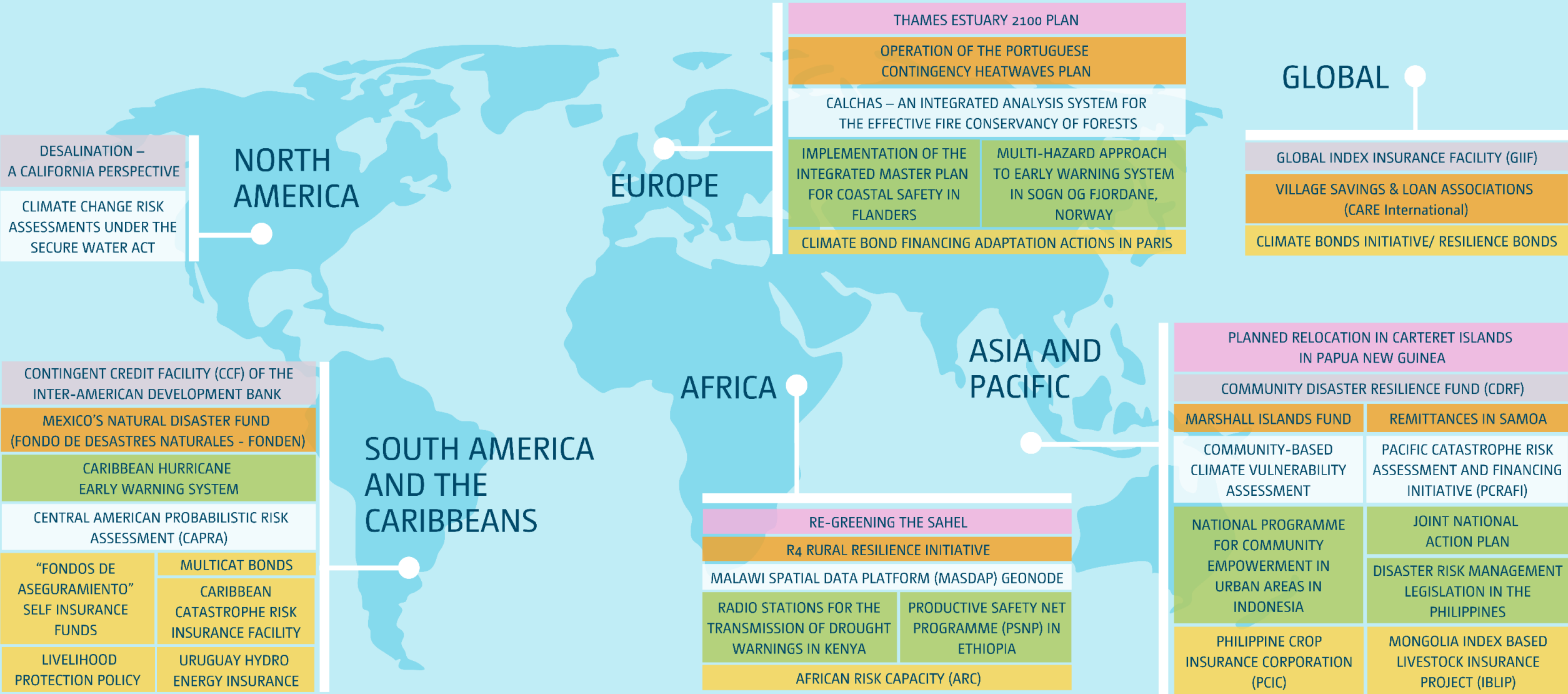
Risk  
retention

Transformational  
approaches

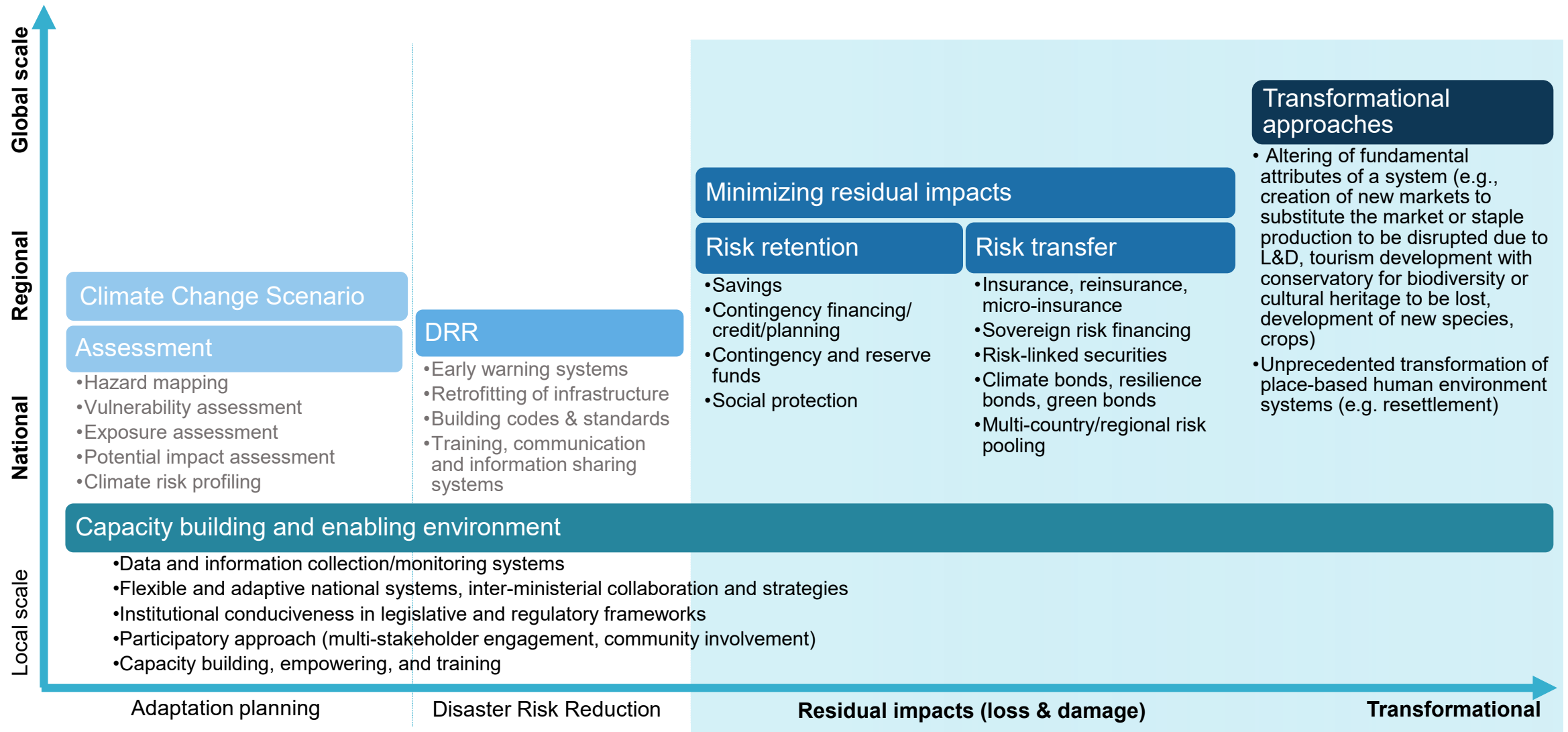
Enabling  
environment

- Aims at enhancing the understanding of CRM approaches, including social protection, to build long-term resilience of countries, vulnerable populations & communities.

# Overview of the Compendium's 37 case studies



# A range of actions of comprehensive risk management approaches



# RISK RETENTION

- A country, community, or organization explicitly or implicitly **chooses to absorb the impacts of a possible (climatic) hazard**
- **Accepting risk:** while taking actions to reduce impacts, some risks can be retained with organizational and financial planning, such as diverting budgets, savings, or establishing ex-ante reserve funds or non-financial solidarity schemes

## Case study example:

R4 Rural resilience Initiative in Ethiopia, Senegal, Malawi and Zambia to increase the food and income security of poor rural households who face climate risks through asset creation (risk reduction), livelihoods diversification and microcredit (prudent risk taking), savings (risk reserves), and insurance (risk transfer).



# FINANCIAL RISK TRANSFER

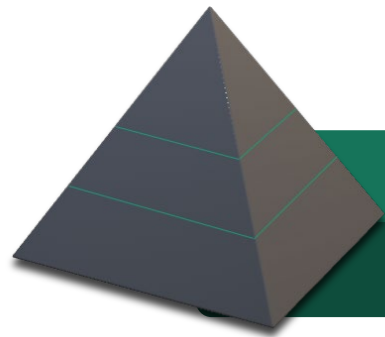
- **Shifting financial consequences of risks** from one entity to another whereby a household, community, enterprise, or state authority will obtain resources from the other entity after a disaster occurs, in exchange for ongoing or compensatory social or financial benefits.
  - *Informally* within family and community networks with reciprocal expectations of mutual aid by means of gifts or credit;
  - *Formally*: governments, insurers, multi-lateral banks and other large risk-bearing entities set up mechanisms to help cope with losses in major events, incl. insurance and re-insurance contracts, catastrophe bonds, contingent credit facilities and reserve funds, where the costs are covered by premiums, investor contributions, interest rates and past savings, respectively.

# FINANCIAL RISK TRANSFER



## Case study example: Mongolia index-based livestock insurance project

Risk layering to reduce the impact of livestock mortality of *Dzud* hazards in Mongolia:



A social safety net of the **government** when losses exceed 25% of the herd value

Transfer of larger losses to the **private insurance sector** – offering affordable options

**Herders** self-insure losses of up to 7% of their herd's value

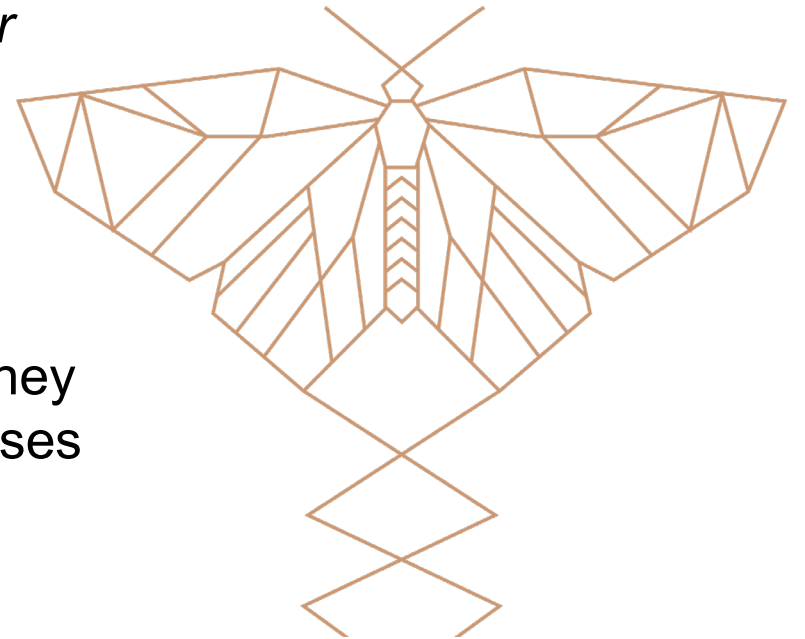
→ Low impact-events borne by farmers; less frequent, bigger losses borne by private insurance; catastrophic losses borne by the international reinsurance market.

### **Key findings:**

- Strong institutional & legal framework allows to design & implement insurance programmes.
- Active role of the government in layering risks.
- Efficient and transparent data management system as a basis for the index-based insurance.

# TRANSFORMATIONAL APPROACHES

- **Extreme or rapid climate change impacts**, or for particularly **exposed or vulnerable populations**, call for a **more radical response** with fundamental changes to attributes of social-ecological system (*e.g., value systems; regulatory, legislative, or bureaucratic regimes; financial institutions; and technological or biological systems*)
- In situations of **high vulnerability** and **low adaptive capacity**, extreme climate change impacts make it difficult for systems to adapt sustainably without transformational changes
  - Adaptation measures can become transformational when they are used at a **greater scale** or combined with other responses leading to much **larger effects**
  - Some responses are **novel** or new in the specific context
  - Some responses collectively **transform place-based human environment systems** or shift such systems to other locations, *e.g., climate change-related resettlement*





# TRANSFORMATIONAL APPROACHES

## Case study example:

- Inhabitants of the Carteret islands in Papua New Guinea faced increasing salt water intrusion, land loss and food insecurity;
- Planned relocation – organized resettlements of climate change displaced persons; home-grown relocation programme
- “Relocating with dignity”, incl. equipping relocated families with new skills;
- Establishing good relations with the existing communities;
- Maintaining cultural bonds to the islands of origin.



Image source: <https://ecapra.org/>