COORDINATED NATIONAL STRATEGIES TO STRENGTHEN THE MANAGEMENT OF CLIMATE RISKS: THE COLOMBIAN EXPERIENCE

Gisela Campillo,
DEVCO Latin America

OECD
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Climate change exacerbates extreme events in Colombia

La Nina event in 2010 caused **damages of USD6 billion**

- Intense floods affected key infrastructure(roads, housing)
- Vulnerable population resettled, subsidies paid
- Agriculture affected by heavy rains

- Historically, 50% of the economic losses are caused by small recurrent events, but the share of affected population is 97%
- High inequality of population and armed conflict have increased vulnerability to climate change

Integration between adaptation and disaster risk management

- In 2011 the national Climate Change System (SICLIMA) was created to coordinate efforts among the different government agencies
- A national In 2012 a new Law (1523) created a new Disaster Risk Management System, requiring municipalities to mainstream DRM in their development plans, affecting expenditures.
- The Disaster Risk Management plan includes adaptation to climate change as a key area of interest

In practice, adaptation and DRM still little integrated

From Disaster Attention to Building Resilience: a change of paradigm

- Natural disasters a common threat to Colombia's development; but La Niña floods catalyzed coordinated government intervention
  - Government (via **Ministry of Finance**) sought support to define a **financial protection strategy**: prominent role of the World Bank and Swiss Development Cooperation
  - Adaptation Fund was created
  - Growing role of private sector in insuring infrastructure: new road concessions

Overview of financial protection mechanisms in Colombia

Risk sharing or transfer measures	Level of risk coverage		
	National / Regional	Private sector (incl. FIs)	Household / Community level
Insurance mechanisms	Insurance of public assets: 4G roads insurance and insurance of public assets	Climate-sensitive insurance	Limited uptake on insurance products Low level of insurance penetration
Catastrophe bonds	CAT BOND/Pacific Alliance initiative		
Post-disaster credit / Contingent credit	World Bank Cat DDO/Adaptation Fund		
Savings or reserve funds	National Fund for DRM/Adaptation Fund		
Ex-ante social safety nets			
Humanitarian relief and compensation payments			Government support for disaster losses: emergency assistance

Emerging findings (1/3): Leadership

- Role of Ministry of Finance key in coordinating the national strategy
  - Convening relevant stakeholders
  - Building technical expertise and engaging with development cooperation partners
  - Assessing the financial needs for the different levels of risk
- Ministry of Environment facilitating the development of sectoral adaptation actions
- More work needed to link agendas institutionally, conceptually and operatively

Emerging findings (2/3): Tailored financing

- Sources of finance for different instruments available, sophisticated design
- Financial protection strategy as framework for set of actions to reduce, transfer and retain risk
- CAT DDO for risks too high to bear; adaptation fund for reconstruction and building resilience
- Transferring risk to the private sector via mandatory insurance in road concessions

Emerging findings (3/3): Data availability

- Significant data gaps:
  - Weather station coverage
  - Exposure of assets (incl. government assets)
  - Historical disaster losses (particularly smaller, frequent events)
- Investment in this area has the potential to support multiple objectives: disaster risk reduction, climate adaptation and financial protection

Future outlook and remaining gaps

- Ensuring that the links being drawn in the national development plan work in practice
- Need to better understand how risks are financed at subnational level
- How to strengthen the role of the private sector
- Analysis of the effectiveness of the tools being used in risk reduction and transfer
- Adaptation strategy for the financial sector has the potential to support these agendas

Overview of questions for discussion

- How can other countries benefit from Colombia's experience choosing a set of measures?
- What are alternatives sources of finance other than contingent credit for large disasters?
- How can national strategies support the management of high frequency events?
- What evidence has emerged on the role of donors, the private sector and government in developing, financing and implementing these measures?
- How can the private sector be more engaged?