On behalf of:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety

of the Federal Republic of Germany

Insured against climate risks

CAT

Context

Around three quarters of Peru's rural population works in the agricultural sector. The main crops under production are cane sugar, rice, corn, potatoes, bananas, cassava and grasses for live-stock farming. Over the past several years, the agricultural sector in Peru has experienced dynamic growth, with its annual export volume doubling to USD 4.5 billion between 2007 and 2011. However, this development is at risk on account of droughts, floods and extreme temperature fluctuations that are all increa-sing in frequency and intensity as a result of climate change. The climate phenomenon El Niño, in particular, has been responsible for economic losses totalling billions of dollars.

Such weather events impede efforts to eradicate poverty, which affects 60 per cent of Peru's rural population. The Peruvian Government has set out to improve incomes and living conditions, especially for people involved in family-based agriculture. To achieve this, agricultural producers are to gain access to improved financial services, which will enhance their resilience to climate phenomena and limit risks that farmers are unable to minimise through their own adaptation measures. For private insurers, however, the agricultural sector remains an unattractive market.

Objective

Peru possesses a risk transfer system for agriculture that is supported by the state and the private sector. It focuses on agricultural insurance products that provide protection against climate risks.

Title	Integrated financial management of climate risks in the agricultural sector (CAT)
Commisioned by	German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) as part of the International Climate Initiative (IKI)
Country	Peru
Lead executing agency	Ministerio de Agricultura y Riego (MINAGRI)
Overall term	01/2014 to 02/2019

Approach

GIZ is supporting the development of integrated financial management in Peru for protecting the country against climate risks. This project is part of the International Climate Initiative (IKI), which is financed by the German Federal Environment Ministry based on a resolution of the German Bundestag.

To establish a risk transfer system that is supported by the state and the private sector, the project is cooperating with the Peruvian Ministry of Agriculture and Irrigation (MINAGRI), the regulatory authority responsible for banks, insurance companies and private pension funds, the Ministry of Economy and Finance, and private insurance companies. The project partners include Munich Re, one of the world's leading reinsurers, with which the project cooperates to analyse needs within the agricultural sector and vulnerabilities related to climate change.

The project partners aim to establish a foundation for the risk transfer system by 2019, including the necessary institutional and legal conditions. Rules regarding agricultural insurance, which are

Extreme weather events endager quinoa cultivation

Photo: © GIZ/ Thomas Müller

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Left: Climate induced events put potato harvests at risk.
Right: The project enhances yields in the agricultural sector.

currently dispersed among numerous laws, directives, resolutions, plans and policies, will be consolidated and the coordination of responsibilities held by various institutions at all governmental levels improved. Stakeholders representing the state, the agricultural sector, insurance companies and banks are to jointly develop a concept for the risk transfer system. In addition, the project intends to gather all information related to policies and damage within a single database.

To enable the evaluation of climate risks, the project is cooperating with GAF AG, a company specialised in remote sensing, in developing a georeferenced data-collection and management system that contains information about agricultural production volumes. A pilot run for collecting data using this system will be carried out in the Lambayeqe region.

To develop the necessary capacities for sustainably managing the risk transfer system, the project is creating training curricula for specialised personnel from the public and private sectors. Training programmes for specialised personnel and decision-makers in the Ministry of Agriculture and the regulatory authority have improved the quality of technical decisions. To date, 18 staff members from 10 institutions have completed the first online course on agricultural insurance in Peru. Through exchanges with insurance experts from Spain and Chile, Peruvian decision-makers have acquired valuable inputs for developing the risk transfer system and the associated management company.

Results achieved so far

The market for agricultural insurance in Peru has grown. By 2016, around 592,000 hectares, or 13.4 per cent of cultivated land, were insured – compared to 343,000 hectares when the project commenced. Currently, agricultural insurance companies are providing 310,000 agricultural producers with protection against financial risks associated with climate events.

Recommendations for calculating premiums have made it possible to reduce the cost of insurance policies and to increase payouts.

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