



Ocean Risk and Resilience Action Alliance (ORRAA)

Developing innovative solutions that reduce vulnerability and build resilience to ocean risk

CONCEPT PAPER

Ocean Risk and Resilience Action Alliance

The *Ocean Risk and Resilience Action Alliance* (ORRAA) brings together organisations from the public and private sectors and civil society focused on developing risk management strategies using the experience and expertise of the insurance and broader finance community, alongside the knowledge of the ocean community.

Canada, AXA XL and Ocean Unite have led the conception and development of ORRAA over the past 7 months, building on the outcomes of Canada's 2018 G7 Presidency. Willis Towers Watson and The Nature Conservancy are founding members. Additional thought partners include the Inter-American Development Bank, Bank of America, KfW, and UNDP, and RARE, all of whom are working towards membership. The Stockholm Resilience Center (SRC) at Stockholm University will be a key scientific and knowledge partner, and the coalition will be hosted by the Global Resilience Partnership based at the SRC.

The Alliance will undertake to:

- Develop strategies to better understand, analyse, predict and manage ocean risk
- Leverage public and private finance to build coastal resilience in SIDS and developing countries through the delivery of real-world projects and programmes centred on investments in nature-based solutions
- Create scalable insurance and finance tools to shift risk away from sovereign states and close the protection gap
- Ensure that gender-sensitive strategies underpin all of its work
- Focus on least developed and most vulnerable communities
- Advance the global narrative on the importance of addressing ocean risk as part of the global policy agenda; and on building coastal resilience with policymakers and investors around the world.

Given the clear threats to economies, societies, cultures and ecosystems around the world from ocean derived risks, this paper outlines:

1. the need for the Alliance
2. the Alliance's agreed objectives, and proposed outcomes and outputs
3. the Alliance's proposed operational development, structure, and funding

1. The Need for an Ocean Risk and Resilience Action Alliance

Impacts from the rapidly changing ocean will have significant consequences, with widespread implications for food security, coastal infrastructure and the lives and livelihoods of many millions of people across the globe. Those especially vulnerable are the coastal communities in developing countries and Small Island Developing States (SIDS) and other low-lying areas, and in particular, women and girls in these communities who are major contributors to coastal economies.

SDG 14: Life Below Water, target 14.2 calls on countries, “by 2020, [to] sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.”

World leaders at the Canada-hosted 2018 G7 meeting in Charlevoix acknowledged the need to address ocean risk and resilience, recognising the “strong and compelling need for action to build resilience” in the Charlevoix Communiqué, including by scaling innovative financing mechanisms and tools and “ecosystem-based approaches to adaption and disaster risk reduction”.

The January 2019 World Economic Forum’s (WEF) Global Risks report concludes that threats from extreme weather events represent the greatest risk to global economic progress.

Globally, around 10 million people experience coastal flooding due to storm surges and cyclones every year. Sea level and population density projections indicate that 50 million will be at risk by 2080. In the last 10 years, insurers alone have paid out more than US\$ 300 billion for coastal storm damage, but this is dwarfed by the amounts paid out by governments and taxpayers.

Insurance and Finance Solutions

The critical importance of reefs, mangroves, seagrass beds, wetlands, saltmarshes and other coastal ecosystems to economies and coastal protection cannot be underestimated. Innovative resilience financing mechanisms that incorporate regenerating and protecting existing natural capital could be a critical stepping-stone to disaster risk management and climate adaptation in countries that lack the resources to invest and have minimal fiscal space to fund relief and recovery efforts.

The effective use of insurance and finance strategies and solutions will enhance government capacity to finance and implement risk reduction strategies to address slow-onset risks such as those from sea-level rise; immediate risks from the impacts of extreme weather events; and cumulative risks that undermine the resilience of marine ecosystems and are ‘seen as’ risk multipliers, such as pollution and overfishing.

To date, disaster reduction approaches through the use of insurance and risk management capabilities, such as the Insurance Development Forum and InsuResilience have focused on the general need to build global resilience to economic and humanitarian impacts associated with catastrophic weather and climate-related hazards. However, climate change impacts on the coastal zone require specialist strategies to mitigate emerging risks. This requires a focussed multi-sectoral alliance with the expertise, knowledge and drive to develop specific solutions.

2. Objectives, Outcomes & Outputs

The Alliance’s founding partners have agreed to 3 primary objectives with specific related outcomes & outputs actioned through investments into tools, projects and programmes that deliver on those objectives. They are as follows:

Objective 1: Research and Knowledge

Objective	<p>To accelerate research, analysis & modelling</p> <p>To use data to better understand and identify solutions</p>
Outcomes & Outputs	<p>Identify and create the enabling environment to model and price risk</p> <p>Align metrics to strengthen analysis and identify ocean/coastal data gaps</p>
Potential Investments (2019 – 2021)	<ol style="list-style-type: none"> 1. Gap analysis & synthesis report of current research & data of most ‘at risk’ areas - through gap analysis, identify most ‘at risk’ areas in SIDS and developing countries, enabling focused project and programme development in those regions. 2. Development of ecosystem risk models for integration into insurance pricing - develop risk models to quantify natural capital in reducing flood risk (wave attenuation from coral reefs, mangroves etc.). 3. Understanding the potential of the role of women in mitigating ocean risk - research and make recommendations on the impacts of ocean risk on women and girls and how to address them. Develop recommendations on the role of women and girls in helping to address ocean risk more broadly. 4. Develop an Ocean Risk Index - build a tool to quantify fiscal risk of storm surge linked to sea level rise and degradation of marine ecosystems.

Quantifying the financial impacts and managing emerging ocean risk requires new risk modelling solutions that go beyond the current representation of the effects of ocean warming and climate change in traditional risk models of extreme weather events. In addition, there is a need for risk models that quantify the probability of fiscal and economic impacts resulting from the loss of coastal natural capital. Such ecosystem risk models would have the potential to help develop new markets for insurance and micro-insurance, thus helping to close the protection gap. They would also help decision makers adopt needed policy and mitigation measures that tangibly reduce risk through investments in natural capital and help secure their most at-risk communities.

For example, AXA XL is already working to develop an Ocean Risk Index to quantify the fiscal risk of storm surge linked to sea level rise and degradation of marine ecosystems. The outputs of the index will highlight the impacts of critical ocean hazards on human livelihoods and activities through the use of regional/country comparisons. It will also identify policy options for local/regional governments/communities/decision makers on how to mitigate ocean risks, and build resilience to change, helping to catalyse behavioural change and recognise progress. Finally, it will help identify insurance instruments to transfer sovereign risk to the insurance market.

Objective 2: Practice & Innovation

Objective	To identify and promote insurance & other financing solutions to build societal resilience and help close the protection gap
Outcomes & Outputs	On the ground projects – focus on key vulnerable regions and gender sensitive solutions
Potential Investments (2019–2021)	<ol style="list-style-type: none"> 1. Scale Blue Carbon Resilience Credit Projects in Developing Countries - drive private finance into a new blue carbon and resilience credit market, creating opportunities for women and girls in developing countries. 2. Scale development of insurance policies for natural capital including coral reefs and mangroves - work with agencies and organisations such as UNDP and TNC to help scale parametric insurance policies for blue natural capital in SIDS and developing countries. 3. Women, Ecosystem Based Adaptation and Flood Resilience in South and South-East Asia - replanting mangroves and restoring ponds to improve flood resilience – replicate pilot projects and take to scale in new sites. 4. Work within the insurance sector to develop strategies to help end IUU fishing - develop a plan of work with Global Fishing Watch, Oceana, UNEP and the insurance industry to scale up the agreement of not insuring identified IUU fishing vessels. 5. Support the introduction of early warning systems in SIDS and developing countries to support disaster risk reduction capacity 6. Engage with partners in innovation labs to develop new products and ‘nudge’ financing products to help scale successful pilots

Projects will be developed with an initial focus in the Caribbean, Africa, South East Asia and Small Island Developing States. Critical, given the gap that ORRAA is filling, is scaling and replicating the handful of initiatives that currently exist, as well as identifying and trialling new initiatives that show demonstrable impact on the ground. For example, opportunities exist to take the insurance instrument developed in Quintana Roo Mexico from Cancun to countries along the MesoAmerican Reef, such as Guatemala, Belize and Honduras and also into South East Asia.

Similarly, the development of nascent insurance-based incentive schemes to engage both industrial and small-scale fishers that encourage compliance as well as increased transparency of activities (which would support Canadian investments in Global Fishing Watch and other similar initiatives), can be fast-tracked and trialled in numerous jurisdictions. These might include micro-insurance products for fisherfolk as well as for the women in coastal fishing communities who support their operations.

Objective 3: Policy & Influence

Objective	To inform & advance ocean resilience policy, governance and public understanding
Outcomes & Outputs	Representation at inter-governmental, multilateral & other relevant fora to embed ocean risk and resilience issues in the global policy agenda
Potential Investments (2019 – 2021)	<ol style="list-style-type: none"> 1. Leverage government partners’ diplomatic platforms to drive mobilization and policy influence. 2. Represent the broader community through the Alliance at intergovernmental, and other relevant fora to ensure that ocean risk and resilience are embedded in the global policy agenda - engage through international policy fora to seed and grow support for addressing ocean risk, particularly through driving investment in ocean natural capital as part of the broader global resilience and adaptation agenda. 3. Mobilise support for priority ocean risk and resilience focus - through the Alliance and its strategic delivery partners, undertake stakeholder and partner mapping and implement a strategic communications plan and engagement strategy.

The ocean and climate policy space have been separated for decades both within international fora and for many countries in their national planning and policy making. With Chile having recently committed to hosting a ‘blue COP’ in January 2020, as well as the rise of ocean biodiversity and resilience issues through the G7 agenda, at the United Nations through the discussions on a new high seas biodiversity treaty, and in the Arctic and Antarctic as the threats and impacts of climate change on these system begin to manifest, ocean and climate risk are beginning to be seen as two sides of the same coin.

Given the impacts of extreme storm events, sea-level rise and coastal habitat degradation for Small Island States and vulnerable coastal communities, engaging in the international policy space is critical to knitting together the ocean and climate agenda, and most importantly spurring action on the ground.

3. Operational Development and Structure

2019 is envisaged as a building (start-up) year for the Alliance, creating the architecture, establishing a secretariat and integrating with the agreed host for the Alliance, the Global Resilience Partnership. It will also include fundraising and identifying projects to develop and support. Further milestones for this start-up phase include:

Start-up (2019)

- Agree Alliance architecture and finalise hosting agreement
- Potential profiling of the Alliance at G7 Environment Ministerial in May and opportunities at the G7 Leaders' Summit in August, One Planet Summit, UNGA Climate Summit and UNFCCC CoP25 to launch the Alliance, amplify its work, engage partners and secure additional support
- Secure Alliance secretariat capacity
- Continue with outreach to Alliance core groups, establish advisory committee
- Undertake stakeholder and partner mapping, develop an engagement plan
- Develop website, social media, communications plan
- Develop a comprehensive 5-year action plan to deliver on the ground outcomes through the Practice and Innovation working group that delivers measurable benefits to women; and communities in SIDS and most vulnerable developing countries
- Secure core Alliance members and outreach to key constituencies to continue building relationships and partnerships
- Convene Alliance members at least once during the year in person and virtually at least twice, to update on progress and secure input for future work
- Identify initial projects for investment for Objective 1 & 2 workstreams and secure comprehensive workplans and budgets for each
- Fundraise towards leveraging initial investment to secure additional budget through year 5
- Complete study of sites for scaling Mesoamerican Reef model (The Nature Conservancy, UNDP) to inform subsequent work in 2020-21

Phase I deployment starts in 2020, where the Alliance will work to build up the number of on the ground projects:

Milestones - Phase I deployment (2020 -2021)

- Invest in and deliver initial projects from the Research and Knowledge (Objective 1) workstream
- Invest in development and delivery of instruments identified by the Practice and Innovation working group that deliver measurable benefits for women, SIDS and developing countries, in particular by identifying and partnering with other adaptation and resilience initiatives
- Engage in policy fora to showcase the Alliance and its work for the public and private sector
- Continue with outreach to Alliance core groups, and partners
- Develop partnership engagement strategies
- Convene Alliance members at least once during the year in person and virtually at least twice, to update on progress and secure input for future work
- Secure funds that leverage the initial investment to secure full budget through year 5 (Phase II).

Hosting Agency

In considering its long-term organisational structure, ORRAA will house its secretariat within the framework of the Global Resilience Partnership (GRP). The GRP brings together more than 30 public and private organisations focused on building resilience in the most vulnerable parts of the world. It was established in 2014 and has considerable experience in resilience programming, political convening, learning & capacity development for resilience practitioners, and thought leadership and knowledge brokering. It has invested over \$35million in 28 field projects around the world over the past 5 years and developed a robust set of criteria for project investments as well as evaluation. Their field programmes focus on gender empowerment, ICT applications, financial inclusion and nature-based solutions.

ORRAA and the GRP have:

1. Strong synergies in the strategic approach being taken by the Global Resilience Partnership and that being proposed by ORRAA.
2. Complementarity in skills and focus, with the ability for both organisations to strengthen the outputs of the other.
3. The ability to create an agile space for experimentation, innovation and growth.

Current GRP partners include:



Governance, functioning and financing:

ORRAA's governance structure will consist of a Steering Council composed of private sector, civil society, governments and donors; a high-level Advisory Committee as well as a working-level Secretariat.

The Steering Council will consist of a limited number of representative members who will shape and set the agenda for the Alliance, providing guidance and focus to the Secretariat. It will make all key decisions including helping to determine priority funding allocations. It will also adopt the basic articles of agreement at its first full meeting which we anticipate will be late in 2019. It will ensure transparency and accountability and that the mission of the Alliance is delivered.

The High-Level Advisory Committee will consist of a group of 6-9 influential leaders with policy, finance, insurance and civil society expertise that helps to guide the Alliance, open doors with various constituencies and develop ORRAA outputs.

The Secretariat will deliver the day-to-day management of the Alliance and delivery of its work.

There will be three tiers of membership:

- Full Members – help set the agenda and may be invited to sit on the Steering Council. They provide monetary or in-kind technical and/or professional support to develop the work program; directly engage in the Alliance’s projects, research and policy work; attend expert workshops and ORRAA meetings. Membership fees are paid annually (countries that provide grant funding do not pay additional membership fees).
- Associate Members – provide in-kind technical and/or professional support to the Alliance at a value of less than US\$50,000 with a view to becoming full members within 2 years. Are invited to attend ORRAA meetings. Do not pay membership fees.
- Observers – Can participate as invited guests at ORRAA meetings or workshops. Do not pay membership fees.

AXA XL has underwritten the costs of the development of the Alliance thus far. No membership fees are required until 2020 as the project developers are currently benchmarking the membership fee structure. These will be agreed by the Steering Committee at its first meeting.

The Alliance initiators are in the process of finalising initial grant funding to support core elements of the first 2-3 years of its work. The organisers are looking for additional grant funding to further develop and deliver the work of the Alliance and understand that donors may have restrictions and priorities as to where their funds can be spent which will be accommodated accordingly. Financial contributions to ORRAA will help leverage private finance and loan guarantees, including through the development of an impact investment platform that can connect investors to projects. This will ensure the long-term success and impact of the Alliance.

The Alliance is developing a funding strategy for 2019 (Start-up) and 2020-2021 (Phase I deployment) when it will scale to full deployment. At a minimum, the start-up costs of the Alliance for 2019 are projected as US\$800,000 to include staff, outreach, engagement, communications, travel and accommodation and operational costs. The size of funding commitments will determine ORRAA’s delivery capacity. The indicative funding split for the various ORRAA functions is listed below with the majority of funds being deployed into practice and innovation projects by 2021.

	2019	2020-2021
Secretariat + Policy & Governance	60%	20%
Research and Knowledge	15%	20%
Practice and Innovation	25%	60%

Leveraging funds

Between 2019 and 2021, the main focus for the Alliance will be to raise funds through a traditional grant model. However, leveraging private finance and loan agreements is key to the long-term success and impact of the Alliance. The GRP has leveraged over US\$10m from the private sector against a US\$16m public sector investment. The GRP is now working with an external consultant to scope out the development of an impact investment platform that can connect impact investors to investment-ready resilience innovations, which ORRAA would be able to plug into.

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