



SAVING
LIVES
CHANGING
LIVES

Payouts from WFP-supported Climate Risk Insurance Programmes

Safeguarding food security through financial protection for the most vulnerable

The climate crisis is a leading cause of global hunger. Relentless droughts render fertile land bare, devastating floods destroy crops and record-breaking storms reduce homes and infrastructure to rubble. Extreme weather events can rapidly turn into food crises and emergencies, with high economic and human costs. Moreover, as the climate crisis worsens resource scarcity, spikes food prices and disrupts incomes, it can trigger social tensions and conflict. All climate risk management activities supported by WFP aim to prevent crises and promote people's self-reliance and resilience to shocks and stresses. Financial protection through insurance and other disaster risk financing mechanisms can put people on the path to a faster recovery.

Climate risk financing enables vulnerable people to cope with climate shocks — supporting smallholder farmers to absorb the effects of failed harvests, and governments and humanitarian agencies to launch well-coordinated and efficient responses. When integrated with other risk management strategies such as nature-based solutions, communal savings schemes or social safety nets, insurance solutions offer important financial protection against potentially catastrophic events which can lead to a loss of livelihoods.

The World Food Programme (WFP) is the United Nation's leading organisation making climate risk insurance solutions work for food insecure populations. Microinsurance provides payouts to smallholder farmers and pastoralists in times of crisis, which enables them to buy food and continue to invest in agricultural inputs or livestock feed. National-level insurance solutions allow

governments and WFP to fund a response and launch early humanitarian assistance in the wake of climate shocks. WFP-supported insurance programmes have provided major payouts in the following countries, which support people and governments to recover from climate impacts.

INCLUSIVE INSURANCE IN MALAWI SUPPORTS OVER 131,000 PEOPLE AFTER CYCLONE FREDDY

After Tropical Cyclone Freddy led to catastrophic losses to harvests in southern Malawi during the 2022-2023 growing season, 26,386 farming households received cash payouts totalling US\$1.2 million from a WFP-supported crop insurance programme in 2023.

ARC REPLICAS ENABLED WFP TO IMPLEMENT EARLY ACTIONS FOR THREE COUNTRIES IN WEST AFRICA

The African Union's **African Risk Capacity (ARC)** is a risk pooling platform that provides financial tools and infrastructure to help African Union Member States manage climate-related disaster risk. ARC Ltd. also offers national-level insurance products to humanitarian organizations through the **ARC Replica Programme**, an innovative risk financing tool that improves the effectiveness of emergency response after climate disasters. In 2023, through ARC Replica, WFP purchased insurance policies to support the governments of Burkina Faso, The Gambia, Madagascar, Mali, Mauritania, Mozambique, Sudan, Zambia and Zimbabwe.

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In West Africa, farmers suffered losses and damages to their crops and livelihoods due to an extensive drought impacting the 2022 agricultural season. The policies purchased in 2022 triggered payouts of US\$7.2 million in Burkina Faso, US\$187,600 in The Gambia and US\$8 million in Mali. These enabled WFP to provide emergency food, cash transfers and nutritional assistance for nearly 500,000 people with payouts totalling US\$15.4 million.

ARC is expecting a payout of US\$2.1 million in Burkina Faso for 2023, which will enable WFP to support the impacted communities and avoid the worst impacts from the ongoing droughts in early 2024.

SCALING UP EMERGENCY RESPONSE IN MADAGASCAR

WFP, along with the Government of Madagascar, took out two separate tropical cyclone insurance policies with ARC Limited during the 2022/2023 season. When Tropical Cyclone Freddy, one of the longest-tracked tropical cyclones of all time, struck Madagascar in February 2023, the policy triggered a payout of US\$300,977 which benefitted 33,265 people facing acute food insecurity.

The damage caused by the tropical cyclone and subsequent flooding has had an impact on all aspects of food security. WFP, in collaboration with its partners and coordination with the government, provided food assistance to households at high risk of crisis-level hunger in districts and communes most affected in the South-East by Cyclone Freddy in its first phase of impacts, and in localities that are still recovering from the impacts of Cyclone Batsirai last year. The initial WFP humanitarian responses included distributing hot meals and dry rations, pre-positioning mobile storage units, cash-based transfers, and food distributions in the most affected areas. The Replica payout swiftly complemented this support with an additional distribution of a month supply of food.

LIFELINE FOR KENYAN FARMERS

Following a below-average season, over US\$500,000 in insurance payouts were disbursed to the majority of farmers insured through WFP's [R4 Rural Resilience Initiative](#), benefiting over 46,000 people. Surveys revealed that 82 percent of smallholder farmers were satisfied with the information provided for the crop insurance and 96 percent would enroll in the insurance program again, willing to make a cash co-payment for coverage.

The payouts provided through R4 helped smallholder farmers meet their basic needs by purchasing food for their families, pay for school fees and invest in necessary agricultural inputs for their farms.

CLIMATE RISK FINANCING INNOVATIONS EMERGING IN LATIN AMERICA

SMALLHOLDER FARMERS IN HAITI RECEIVE FINANCIAL PROTECTION

Rural farmers in seven municipalities faced both dry spells and excess rainfall during the 2023 growing season, which could have impacted their incomes and ability to feed their families. Thanks to insurance policies supported by WFP, 3,574 farming families will receive US\$126,664 in payouts, that will help 17,870 people to bounce back from these climate shocks.

PROTECTION FROM BUSINESS INTERRUPTION DUE TO EL NIÑO IN GUATEMALA

Farmers in Guatemala's dry corridor struggled with irregular rainfall and drought during the start of an El Niño year. This triggered microinsurance policies of the farmers engaged in WFP's Homegrown School Feeding programme, with US\$615,000 in payouts to 5,367 smallholder farmers and MSMEs, benefiting 26,835 people.

NATIONAL-SCALE CLIMATE RISK INSURANCE IN NICARAGUA

WFP topped-up insurance premiums for the government of Nicaragua's tropical cyclone policy through the Caribbean Catastrophe Risk Insurance Facility (CCRIF-SPC), with the policy triggering due to Hurricane Julia in late-2022. The government transferred US\$640,000, received from CCRIF SPC, to WFP for creating and improving school gardens in 600 rural and urban schools as well as delivering fruit trees to farming families of students to support their recovery.

LESSONS FOR INTEGRATING CLIMATE RISK FINANCING

It's important that when designing and implementing insurance programmes that the schemes are structured in a way to ensure sustainability in the mid and long term. This can be achieved through close government involvement, integrating insurance with other financial services for farmers, as well as layering insurance products with other climate risk financing solutions, such as contingency funds and credit.

As recipients of WFP's insurance payouts recover from the impact of climate shocks, WFP will continue monitoring how these mechanisms improve household resilience and food security. This will inform WFP's strategy to manage climate risk with the appropriate combination of risk financing tools that support vulnerable households before, during and after climate hazards.



In Mali, Ada received cash-based transfers through an electronic card or coupon.

INSURANCE PAYOUTS 2022-2023

COUNTRY	TOTAL PAYOUTS TRIGGERED	NUMBER OF PEOPLE BENEFITTING FROM PAYOUTS
MALAWI	US\$1.2 M	131,930
MALI	US\$8 M	296,774
THE GAMBIA	US\$187,600	6,528
BURKINA FASO	US\$7.2 M	137,426
MADAGASCAR	US\$301,000	33,265
ETHIOPIA	US\$1.8 M	141,485
KENYA	US\$508,000	46,448
GUATEMALA	US\$614,861	26,835
HAITI	US\$128,664	17,879
NICARAGUA	US\$640,000	600 RURAL SCHOOLS



Maria, a smallholder farmer in Guatemala and beneficiary of WFP's parametric insurance scheme counts money after a cash withdrawal.

CLIMATE AND DISASTER RISK FINANCE AND INSURANCE

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