



World Food Programme

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 programmes are playing an increasingly growing role in this space.

Climate risk insurance 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 protection, communal savings schemes or social safety nets, insurance solutions offer important protection against potentially catastrophic events which can lead to a loss of livelihoods.

The World Food Programme (WFP) is the United Nation's leading organization making climate risk insurance solutions work for food insecure populations.

Microinsurance provides payouts to smallholder farmers in times of crisis, which enables them to buy food and continue to invest in agricultural inputs or livestock feed. Sovereign insurance solutions allow governments and WFP

to fund a response and launch early humanitarian responses in the wake of climate shocks. In 2021, three major payouts have triggered in countries with WFP-supported insurance programmes, which will support people and governments to recover from climate impacts.

MICROINSURANCE IN MALAWI TRIGGERS AN UNMATCHED PAYOUT

After drought and pests destroyed crops during the 2020-2021 growing season, 65,000 farming households in Malawi have started to receive cash payouts from a WFP-supported crop insurance programme in October 2021. This is one of the largest crop index insurance payouts on the African continent, amounting to US\$2.45 million — and the largest insurance payout claim in Malawi over the past six years during which the government has supported insurance as a safety net for smallholder farmers.

The payout in Malawi was triggered to compensate farmers after suffering high losses in the harvests of maize, beans, sorghum, rice, groundnuts, cotton and pigeon peas. The financial resources made available helps to protect farmers' investments and prevent farmers from resorting to negative coping mechanisms, such as selling livestock or taking children out of school. The cash payouts will also help farmers to address their short-term food needs while the risk reduction assets created in combination with the insurance programme continue to contribute to long-term resilience building.

November 2021

ARC REPLICA IN MALI TRIGGERS LARGEST PAYOUT TO WFP

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 macro insurance products to humanitarian organizations through the **ARC Replica Plus Programme**, an innovative risk financing tool that improves the effectiveness of emergency response after climate disasters. Through ARC Replica, WFP has supported the governments of Burkina Faso, The Gambia, Mali, Mauritania and Zimbabwe with macro-level risk transfer instruments — protecting an additional 1.2 million people from catastrophic drought events in 2020.

After a late onset of the 2021 growing season resulted in crop failures in Mali, WFP will be able to work with an ARC Replica insurance payout of US\$7.1 million to assist affected people with early food and cash transfers. This amount is close to the maximum payout claim WFP could receive from this insurance policy, delivering much needed finance to sustain food security and avoid malnutrition in times of crisis. This payout will target nearly 201,000 of the most vulnerable people in Mali affected by failed harvests.

SHOCK-RESPONSIVE SOCIAL PROTECTION IN MADAGASCAR

In southern Madagascar, three consecutive years of drought have created famine-like conditions, leaving many families without any means to feed themselves. In November 2020, WFP launched a microinsurance programme for farmers in the districts of Amboasary and Ambovombe in the drought-affected south. Nearly 3,500 households were insured against drought risk for the growing seasons of 2020/2021. After another failed first planting season (November to April), these households received payouts of US\$100 each to cover the full loss of their maize harvests.

As much as 88 percent of the payouts were used to purchase food, revealing how this cash assistance enabled families to avoid severe levels of hunger. WFP found that two months after the failed season, the Food Consumption Score (FCS)¹ of insured households was 12 percent higher than for households that had not received this support.

With a US\$70,000 premium paid by WFP, a total of US\$480,000 was paid out to highly food insecure communities. This payout per household equates to five months of cash transfers that would typically be required to sustain a humanitarian response in the region.

LESSONS FOR INTEGRATING CLIMATE RISK FINANCE

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.

Climate and Disaster Risk Reduction Programmes Unit (PRO-C)

World Food Programme

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"I had never heard of the word insurance before but with the erratic rains, I understood this could be a smart way to protect my livelihood"

Khadija, 52, Malawi



INSURANCE PAYOUTS 2020-2021

COUNTRY	TOTAL PAYOUTS TRIGGERED	NUMBER OF PEOPLE BENEFITTING FROM PAYOUTS
MADAGASCAR	US\$480,000	17,500
MALAWI	US\$2.45M	325,000
MALI	US\$7.1 M	201,000

¹ The FCS is a composite score based on dietary diversity, food frequency, and relative nutritional importance of different food groups.

Photo page 1: WFP/Badre Bahaji

Photo page 2: WFP/Badre Bahaji