



World Food Programme

SAVING  
LIVES  
CHANGING  
LIVES

# CLIMATE RISK INSURANCE

Annual Report 2021





*Odile, microinsurance beneficiary in her field in Anjahamahavelo, Madagascar.*

WFP/Alice Rahmoun



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## Photo cover:

EAST AFRICA: WFP/Michael Tewelde

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# Acronyms

AA	Anticipatory Action
AF	Adaptation Fund
ARC	African Risk Capacity
ARV	Africa RiskView
ATP	Ability to Pay
AYII	Area Yield Index Insurance
ASALs	Arid and Semi-arid Lands
ASAP	Adaptation for Smallholder Agriculture Programme
BCM	Beneficiary Contact Monitoring
BMZ	Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany
CA	Conservation Agriculture
CCRIF SPC	Caribbean Catastrophe Risk Insurance Facility
CCS	Climate Capacity Score
CDRFI	Climate Disaster Risk Financing and Insurance
CERF	Central Emergency Response Fund
CIC	Community Inclusion Currencies
CO	Country Office
CoE	Center of Excellence on Gender-smart Solutions
CSA	Comité de Sécurité Alimentaire
CSP	Country Strategic Plan
DANIDA	Danish International Development Agency
FAO	Food and Agriculture Organization of the United Nations
FbF	Forecast-based Financing
FCDO	Foreign, Commonwealth, & Development Office
FCS	Food Consumption Score
FEWS NET	Famine Early Warning Systems Network
FFA	Food Assistance for Assets
FGD	Focus Group Discussions
FII	Forecast Index Insurance
FIP	Final Implementation Plan
FISP	Farmer Input Support Programme
GCF	Green Climate Fund
GIZ	German Agency for International Cooperation
GMI	Group Maturity Index
HARITA	Horn of Africa Risk Transfer for Adaptation
HDI	Human Development Index
HGSF	Home-Grown School Feeding
HII	Hybrid Index Insurance
ICRM	Integrated Climate Risk Management
IDF	Insurance Development Forum
IDP	Internally Displaced People



IFAD	International Fund for Agricultural Development
IGA	Income Generating Activities
IGP	InsuResilience Global Partnership
IPC	Integrated Food Security Phase Classification
IRI	International Research Institute for Climate and Society
KfW	German state-owned development bank
KOICA	Korea International Cooperation Agency
KPI	Key Performance Indicators
LSA	Lean Season Assistance
MIN	Micro Insurance Network
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OP	Operational Plan
PHL	Post-Harvest Loss
PICSA	Participatory Integrated Climate Services for Agriculture
PICAP	Pacific Insurance and Climate Adaptation Programme
PMG	Producer and Marketing Groups
PSNP	Productive Safety Net Program
RBA	Rome-based Agencies
RTP	Risk Transfer Parameters
RWH	Rain-Water Harvesting Systems
SAMS	Smallholder Agricultural Market Support
SBCC	Social and Behaviour Change Communication
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SfC	Savings for Change
SIDA	Swedish International Development Cooperation Agency
SIPE	Satellite-Index Insurance for Pastoralists in Ethiopia
SNV	Netherlands Development Organization
SPM	Selection, Planning, and Management
TWG	Technical Working Group
UNCDF	UN Capital Development Fund
UNDP	United Nations Development Programme
UNU-EHS	UN University Institute for Environment and Human Security
USAID	United States Agency for International Development
VESA	Village Economic and Social Associations
VF	Vision Fund
VFM	Virtual Farmer's Market
VSL	Village Savings and Lending Group
WASH	Water, Sanitation, and Hygiene
WII	Weather Index Insurance
WTP	Willingness to Pay





*Model of agroecology land showcased for participant farmers in Sampona.*

WFP/Frederica Andriamanantena

# Foreword

The climate crisis is a daily reality for millions of people around the world and a leading cause of hunger. More frequent and intense droughts, floods and storms are causing vulnerable people to lose their homes, crops and livelihoods. 2021 has been among the seven warmest years on record and, like previous years, adds to the list of worst years in terms of climate-related disasters.<sup>1</sup> Consecutive years of drought have created famine-like conditions in Madagascar, leaving many families without any means to feed themselves. In the Horn of Africa, an estimated 13 million people are suffering from hunger due to consecutive droughts and failed crops.<sup>2</sup> Every day, humanitarian needs are increasing in the face of compounding climate, health, and economic crisis.

2021 has also been a significant year for climate action, ending with the UN Climate Change Conference, COP26. While the outcomes of COP26 cannot be considered sufficient from a humanitarian perspective - falling behind the climate action goals needed to prevent the worst impacts of the climate crisis- they have put stronger focus on the conversation about climate-induced loss and damage. Loss and damage are the devastating and irreversible impacts of climate change that occur when mitigation and adaptation efforts have been insufficient.

1. World Meteorological Organization. 2022. [2021 on of the seven warmest years on record, WMO consolidated data shows.](#)
2. World Food Programme, 2022. [Millions face hunger as drought grips Ethiopia, Kenya and Somalia, warns World Food Programme.](#)

In Glasgow, countries recognized the rising costs of loss and damage and agreed to hold a dialogue to discuss financing for it ahead of COP27.

In this context, investing in approaches to prevent, minimize and address loss and damage associated with the adverse effects of climate change is crucial for WFP. These approaches are focused on helping governments and communities to manage climate risks in a forward-looking manner and encompass a range of climate and disaster risk financing instruments - including climate risk insurance programmes.

Climate risk insurance enables vulnerable people to better cope with climate shocks. It can support smallholder farmers to absorb the effects of failed harvests, pastoralists to keep providing food and veterinary care to their livestock, micro and small entrepreneurs to continue their productive activities, and governments and humanitarian agencies to launch well-coordinated, efficient and early responses. When integrated with other risk management strategies such as nature-based protection, informal saving schemes or social safety nets, insurance solutions offer important financial protection from potentially catastrophic events.

Over the past decade, WFP has become the UN's leading organization making climate risk insurance solutions work for food insecure populations. On the community



level, WFP promotes microinsurance solutions through its flagship approach for integrated climate risk management, the R4 Rural Resilience Initiative (R4). The approach combines a set of integrated risk management strategies that address both the climatic as well as non-climatic drivers of vulnerability. On the level of government systems, WFP promotes sovereign insurance products through its ARC Replica and macro-insurance programmes. These solutions allow governments and WFP to protect vulnerable people and communities with pre-arranged funding that enable rapid responses to climate shocks.

While 2021 was a year still marked by the COVID-19 pandemic and its resulting economic and social impacts, WFP was able to protect 2.7 million vulnerable people in 18 countries with climate risk insurance products. Under R4, WFP provided access to microinsurance solutions to nearly 395,000 households in 14 countries, benefitting 1.8 million people. Through its macro insurance programmes, WFP supported the governments of Burkina Faso, The Gambia, Mali, Mauritania, and Zimbabwe with macro-level climate risk financing instruments, protecting 750,000 people from catastrophic drought events. WFP also piloted sovereign risk financing approaches in Dominica.

In 2021, several major payouts were triggered under WFP-supported insurance programmes. In **Ethiopia**, following devastating drought conditions, over US\$980,000 in payouts were triggered under WFP's Satellite Index Insurance for Pastoralists in Ethiopia (SIPE) programme, benefitting nearly 125,000 people in the Somali region. Another payout of the same amount is about to be disbursed in 2022. After drought and pests destroyed crops during the 2020/2021 growing season, crop index insurance policies in **Malawi** triggered one of the largest payouts in Africa, totalling US\$2.45 million, benefitting around 325,000 people. In **Madagascar**, after two failed planting seasons, 17,500 people benefitted from payouts of US\$480,000. In **Mali**, after a late onset of the 2021 growing season resulted in crop failures, WFP received an ARC Replica insurance payout of US\$7.1 million to assist 204,000 people with emergency and resilience-building efforts in the country's drought-affected regions.

2021 also saw the expansion of WFP's insurance programmes in the Latin America and Caribbean region. Over 2,500 farmers and small and micro entrepreneurs accessed microinsurance solutions in **El Salvador**, **Guatemala**, and **Nicaragua**, protecting agricultural

production from the risks of drought, earthquakes, and excess rainfall, benefitting nearly 13,000 people. In **Cuba**, WFP has provided technical assistance to the national insurance company to develop an Area Yield Index Insurance (AYII) prototype, a type of insurance that protects farmers' low yields due to several risks, including drought, pests and diseases. WFP also expanded to Asia, launching a microinsurance pilot for social welfare beneficiaries in **Fiji**, protecting them from financial losses in the wake of heavy winds. In addition, WFP provided technical assistance to the Government of **Zambia**, supporting the design of an improved index insurance product under the Government's Farmer Input Support Programme (FISP), which insured over one million people for the 2021/22 agricultural season.

WFP has continued its engagement with global insurance networks and platforms in 2021- notably the InsuResilience Global Partnership (IGP), the Insurance Development Forum (IDF) and the Micro Insurance Network (MIN)- and strengthened partnerships with international agencies and institutions, including the International Fund for Agricultural Development (IFAD) and the Africa Risk Capacity (ARC). These partnerships enable the scaling-up of climate and disaster risk finance and insurance solutions.

In 2022, WFP will expand its insurance programmes in Asia, East and West Africa, while continuing to scale up investments in existing program countries. Efforts will be intensified to improve integration and layering between different risk financing solutions, including with forecast-based financing and contingency finance for governments, and village savings mechanisms for local communities. Specific focus will be put on compiling lessons from the field and gathering robust evidence on the benefits of managing risk in a forward-looking and preventative manner. Additional partnerships and resources will be sought to sustainably expand and scale up climate risk insurance coverage, generate evidence, and build institutional capacity for risk financing.

We are grateful for the continuous support of our partners and donors, and look forward to continuing this important work in 2022.

#### **Gernot Laganda**

*Chief, Climate and Disaster Risk Reduction Programmes  
World Food Programme*



# VISION, GOALS, TARGETS

## Vision

The World Food Programme (WFP) is the leading humanitarian organization saving lives and changing lives, delivering food assistance in emergencies and working with communities to improve nutrition and build resilience. WFP's vision is to end global hunger by helping reduce risk and vulnerability to shocks and achieving sustainable food security and nutrition.

For WFP, enabling access to climate and disaster risk financing and insurance solutions is central to fulfilling its mandate of saving lives and changing lives while ending global hunger.

Through its climate risk insurance programmes, WFP supports governments and communities to cope with shocks, financing early responses after catastrophic events, enabling faster recovery from climate extremes and promoting resilience-building measures that protect individuals and communities from growing climate risks.

Safeguarding **food security** and **building resilience** through **financial protection** for the most vulnerable

## Goals

WFP aims to build the resilience of vulnerable and food insecure people by enabling access to sustainable and scalable innovative climate and disaster risk financing and insurance solutions. It aims to improve the current humanitarian financing model to a more forward-looking one that enables more timely financing for quicker and more predictable action and assistance to populations at risk. WFP aims to achieve this by:

- Promoting an enabling environment for climate and disaster risk financing instruments -and in particular, climate risk insurance solutions- by strengthening the capacities of governments and local stakeholders and fostering public-private partnerships.

- Investing in systems and facilitating the creation of conducive market conditions for sustainable insurance services while making products more innovative, efficient, and valuable to the insured.
- Adopting risk-layered approaches, combining several climate risk financing solutions, to efficiently address different levels of risk.
- Fostering integration and linkages with WFP programmes, as well as government and private sector programmes and initiatives.
- Strengthening existing collaboration with international agencies, institutions and global insurance networks and platforms.
- Generating robust evidence on the impacts and effectiveness of climate risk insurance and early action.

Enabling access to **sustainable** and **scalable climate risk insurance** solutions through **integrated** and **risk-layered** approaches

## Targets

**4** million people protected by climate risk insurance by **2026**

### International Community Commitments & Targets

As part of the InsuResilience Vision 2025, the G7 and other countries have committed to ensuring 500 million poor and vulnerable people are covered against climate and disaster shocks by pre-arranged finance and insurance mechanisms by 2025. In addition, in early 2021 the Centre for Disaster Protection coordinated and launched the [Crisis Lookout Coalition](#), an advocacy campaign to transform how risk and disaster responses are managed and funded.

Through its climate risk insurance programmes, WFP contributes to reaching these goals.

# OUR ACTION IN 2021

## Macroinsurance



**750,000** people covered with macroinsurance



Total value of premium amounts to **US\$ 4.6 million**



Total sum insured amounts to **US\$ 28.3 million**

## Microinsurance/Meso-insurance



Over **1.9 million** people covered with insurance



Total value of premium amounts to over **US\$ 9.4 million**



Over **US\$ 159 million** of total sum insured through risk management interventions



Over **576,000** people benefitting from insurance payouts



Over **US\$ 4.7 million** in insurance payouts distributed

## Risk Reduction and Financial Inclusion



Over **372,000** people participating in financial inclusion initiatives



Over **62 percent** of participants are **women**



Over **1.4 million** people benefitting from assets and climate adaptation practices facilitated by WFP's risk management activities



Over **US\$ 2.5 million** saved by the participants of financial inclusion programs



Nearly **US\$ 1.6 million** of loans accessed by financial inclusion initiative participants





*Khadija buying food at the market in Balaka District, Malawi.*

WFP/Badre Bahaji

# WFP-supported Climate Risk Insurance Programmes

## WFP-supported climate risk insurance programmes

With the impacts of the climate crisis becoming ever more real and visible, WFP seeks to promote people's resilience to increasing shocks through integrated climate risk management approaches, WFP-supported climate risk insurance programmes are an example of this work. Risk financing and climate risk insurance are important solutions that support WFP's mandate of saving lives and changing lives. They enable governments and communities to better manage climate shocks, providing timely resources that support early responses and faster recovery, while reinforcing governments and communities' ability to cope with future disruptions.

Over the last decade, WFP has led the way in developing and testing innovative climate risk insurance solutions which – when integrated with other risk management strategies such as nature-based protection and

better access to financial services – provide essential protection against different types and levels of shocks, unlock investment potential and support livelihoods diversification. WFP's work on insurance focuses both on microinsurance and sovereign insurance solutions.

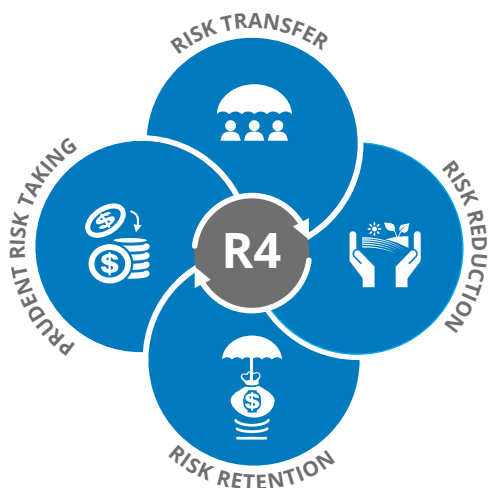
## Microinsurance as part of integrated climate risk management

Smallholder farmers across the world are highly vulnerable to climate-related risks, such as droughts, floods and storms. They also have very limited access to the risk financing tools and services that can provide protection from the resulting financial losses. WFP helps vulnerable households and smallholder farmers to manage these risks and reduce vulnerabilities using an integrated set of tools that include access to microinsurance, risk reduction and financial services.

# The R4 Rural Resilience Initiative

The R4 Rural Resilience Initiative (R4) began as a strategic partnership between WFP and Oxfam America in 2011 to build on the success of Oxfam America’s pilot project HARITA (Horn of Africa Risk Transfer for Adaptation) that broke new ground in the field of rural risk management. R4 is WFP’s approach for integrated climate risk management that combines four strategies that together contribute to:

- **Reducing** the impact of climate shocks through nature-based solutions and improved agricultural practices.
- **Transferring** the risk of potentially catastrophic climate hazards to private insurance markets.
- Enabling better risk **absorption** of households and communities through the promotion of group savings and integration with social protection systems; and
- Promoting **prudent-risk taking** through a combination of financial education, livelihoods diversification, and easier access to credit to enable better investments.



Through R4, smallholder farmers can access insurance by participating in risk reduction activities, such as engaging in nature-based solutions that restore ecosystems or adopting improved agricultural practices.

Microinsurance supports households with a protective safety net to cope with climatic shocks through timely payouts and stimulates investment in more resilient livelihoods, with insurance acting as collateral for increasing access to credit and financial services.

In 2021, R4 reached **395,000** vulnerable households and their families in **Bangladesh, Burkina Faso, El Salvador, Ethiopia, Fiji, Guatemala, Kenya, Madagascar, Malawi, Mozambique, Nicaragua, Senegal, Zambia and Zimbabwe.**

## The R4 Model



### RISK TRANSFER

R4 enables the poorest farmers, pastoralists or households to access climate risk insurance. The initiative has been one of the most successful efforts to develop and scale up index-based insurance products among the most vulnerable and food insecure communities. Index-based insurance compensates participants based on changes in a pre-determined index that is associated with crop performance, vegetation, wind speed, or flooded areas, rather than onsite assessments of actual damage or losses. Insurance payouts are distributed to insured participants if the index falls beyond the pre-determined threshold. Payouts enable farmers to buy food and continue to invest in agricultural inputs or livestock feed, or even pursue their income generating activity. Predictable income can reduce negative coping strategies and encourage rural households to invest in activities and technologies with higher rates of return.



### RISK REDUCTION

Households that are cash constrained have the option to pay insurance premiums by participating in risk reduction activities. This includes participation in assets creation and rehabilitation activities, adoption of improved agricultural practices, such as Conservation Agriculture (CA), as well as participation in financial education and Post-Harvest Loss (PHL) management trainings. These activities aim to promote farmers’ resilience by steadily decreasing their vulnerability to climate risks and foster higher productivity by building the natural asset base available to farmers.



### RISK RETENTION

Through individual or group savings, farmers can build a financial base that serves multiple purposes. For instance, they provide a buffer for short-term needs, retaining risks within households and communities and increasing



their ability to cope with shocks. Group savings can be loaned to individual members with particular needs, providing a self-insurance mechanism for the community. Setting up several savings funds for different purposes, including for agricultural investment, insurance premium payment, and for risk management can support participants' graduation and build their resilience to climate and other shocks. Finally, savings can also be accumulated in-kind, for example through cereal banks which allow farmers to stock surplus yields or livestock.



### PRUDENT RISK TAKING

Insurance is not only a protection mechanism to respond rapidly to shocks, but by protecting investments, it allows participants to increase production and incomes in good years. Insurance stimulates investments in more resilient livelihoods, playing a key role in unlocking access to formal financial services, acting as a collateral to access loans. Improving access to credit allows households to invest in their productive activities, as well as to diversify their livelihoods by investing in additional income-generating activities. Finally, promoting and facilitating participants' access to markets helps them increase their capacity to produce and sell marketable surplus for increased incomes.

## Sovereign Climate Risk Financing and Insurance

Each year, governments and the humanitarian sector spend billions to prepare for, respond to, and help vulnerable people recover from increasingly destructive climate disasters. Market-based disaster risk financing solutions, such as macro insurance policies purchased by governments or humanitarian organizations, can enable faster, more cost-effective and predictable responses to climate and disaster shocks. WFP is a leader in promoting sovereign insurance products that can offer rapid finance to affected communities in the event of major disaster, including through the African Risk Capacity (ARC)<sup>3</sup> Replica programme.

3. The African Union's African Risk Capacity (ARC) is a ground-breaking risk pooling platform that provides financial tools and infrastructure to help African Union Member States manage climate-related disaster risk.

## WFP's ARC Replica and macro-insurance programmes

**ARC Replica** is an innovative tool designed to improve the effectiveness of emergency response after climate-related disasters and provide risk financing to WFP in case of a catastrophic event. In addition, ARC Replica invests in strengthening African governments' capacities and systems in climate risk financing and management. ARC Replica Coverage is a parametric insurance product offered by ARC Ltd to WFP and the Start Network to complement and/or enhance the insurance policies purchased by ARC Member States.

With ARC's Replica Coverage, Replica Partners can match the insurance coverage of eligible ARC Member States (Replicated Countries) by purchasing a 'Replica Policy' – or, in cases where the government does not purchase insurance protection for a given season, decide to secure insurance protection independently. This increases the amount of climate risk insurance coverage available for vulnerable populations in Africa, ensuring a greater number of vulnerable people receive ex-ante assistance when extreme droughts or tropical cyclones in covered countries trigger insurance payouts.

Through ARC Replica, WFP provides technical assistance to governments to improve and customize parametric drought models. In addition, WFP strengthens the response capacity through better coordination and contingency planning between governments and the international humanitarian system. Contingency plans are developed and endorsed in close consultation with the Replica counterpart government and outline the government's as well as WFP's complementary response measures in case insurance payouts are triggered by a large-scale climate shock.

In 2021, WFP protected 750,000 people in **Burkina Faso, Mali, Mauritania, The Gambia** and **Zimbabwe** from catastrophic drought through ARC Replica. WFP also engaged with the Governments of Madagascar and Mozambique but did not yet subscribe any policy. Based on the lessons learnt from the ARC Replica experience in Africa, WFP explored how to leverage sovereign risk financing solutions in the Latin America and the Caribbean region to make social protection systems more shock responsive. Particularly, in partnership with the Government of the Commonwealth of Dominica, WFP

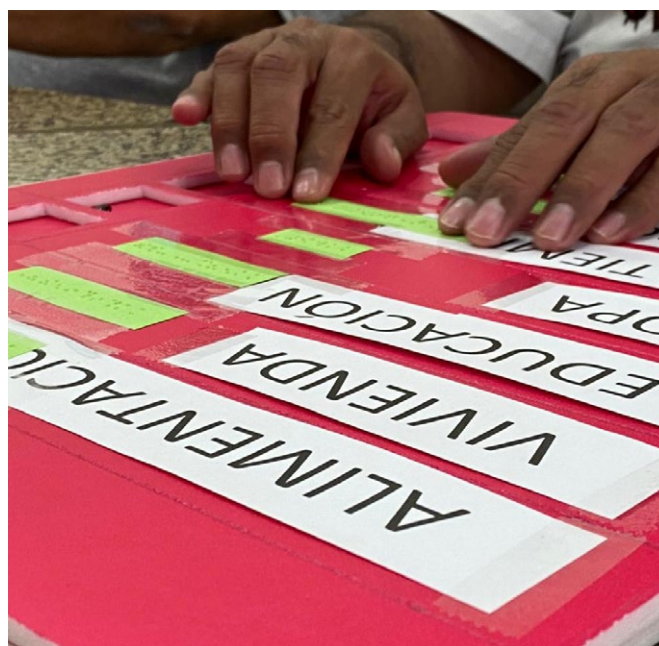
contributed US\$100,000 of premium support to top up the existing Tropical Cyclone Policy offered by the Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC)<sup>4</sup> for the 2021 Atlantic Hurricane Season. In the event of a tropical cyclone, a portion of the payout will be allocated for cash assistance to be disbursed to impacted populations through national social protection programmes. Such solution can help social protection systems become more shock responsive, ensuring more rapid and targeted responses for the most vulnerable.

To effectively address different levels of risks, WFP adopts a risk-layering approach, combining different risk financing tools according to the frequency and severity of shocks. On the macro level, through ARC Replica Plus, WFP will integrate insurance solutions for less frequent, more extreme risks with complementary risk financing tools to address more frequent, less severe shocks.

ARC Replica Plus represents a continued evolution of the ARC Replica model, considering the necessity of a contingency funding mechanism (such as an index- or forecast-based contingency fund) in years when climate shocks affect people below the threshold of insurance payouts. This integrated model combines insurance protection for less frequent, more catastrophic risks (with minimum return periods<sup>5</sup> of once in every four years) with complementary risk financing instruments that trigger at more frequent but lower severity hazard levels. These small-scale, localised shocks can cumulatively constrain national development, causing hardship and suffering to the most vulnerable individuals and households, who are susceptible to being pushed from chronic hunger into an acute food crisis. This blend of insurance and contingency financing represents an opportunity to test and refine triggers and sequences for the release of pre-positioned finance from the public and private sectors, to efficiently combine different financial instruments for different levels of risk, and to analyze the cost/benefit ratio of different combinations of risk financing instruments.

4. CCRIF is a segregated portfolio company (SPC) which is owned, operated and registered in the Caribbean. It limits the financial impact of catastrophic hurricanes, earthquakes and excess rainfall events to Caribbean and Central American governments by quickly providing short-term liquidity when a parametric insurance policy is triggered.

5. Return periods refer to the frequency that the insured event occurs.



*Training for people with visual disabilities in El Salvador.*  
Red Cross/Josué Guillén



*Drought in Somali region of Ethiopia.*  
WFP/Michael Tewelde





# Interviews

Support related to the  
**R4 Rural Resilience Initiative**

National Agricultural Insurance  
Company of Senegal (CNAAS) Interview

**Mouhamadou Moustapha FALL**

*Director General of the National Agricultural Insurance Company of Senegal, Compagnie Nationale d'Assurance Agricole du Sénégal (CNAAS)*



WFP and CNAAS have been collaborating since 2014 in the framework of the R4 Rural Resilience Initiative. CNAAS has been offering weather index-insurance products to farmers participating in WFP's R4 programme. Through this collaboration, WFP and CNAAS have been defining a framework for the implementation of R4 activities, and specifically for the development and implementation of the insurance component in existing and new R4 regions.

Covering farmers against climate risks through agricultural microinsurance is at the heart of CNAAS' strategy. Our vision is to increase the penetration rate of agricultural insurance products in the rural world. This will of course be possible through partnerships such as the one we have with WFP to strengthen our sustained proximity, but above all to guarantee positive impact with the final beneficiaries in responding to the major challenges of climate change adaptation, food self-sufficiency and environmental protection.

“Covering farmers against climate risks through agricultural microinsurance is at the heart of CNAAS' strategy,,

The four components strategy has enabled WFP to address many of the communities' concerns. More specifically on the microinsurance component, the graduation mechanism of premium payment is a relevant approach to contribute to the penetration and growth of the microinsurance market in vulnerable communities.

Our vision of microinsurance is to achieve the empowerment of vulnerable communities so that they can have the capacity to understand and integrate microinsurance products into their daily activities without assistance or subsidy.

Climate risk insurance plays a key role in the adaptation and management of climate risks. It constitutes a first defence against climate shocks in order to allow the eventual victims of these shocks to be able to recover from their adverse impacts.



# Interviews

Support related to the  
**ARC Replica Programme**

Mauritania's Food Security  
Commission Interview

**Moustapha Cheikh Abdellahi**

*Technical & Financial Partners Advisor, ARC National Programme Coordinator. Comité Securite Alimentaire (CSA) Food Security Commission*



WFP provides Mauritania support through ARC Replica in four different areas: technical support, logistical support, training, and the annual purchase of a Replica insurance policy. Technical support includes backing of the Technical Working Group (TWG) in the annual customization process and advice on the selection of risk transfer parameters, support on the development of operational plans and the financing of some technical studies to improve the national risk transfer system. Logistical support is given by supplying the TWG with the needed electronic equipment and means for communication. WFP also prepares and implements an annual training programme for the benefit of the TWG focusing on insurance-based topics. Lastly, WFP contributes to the transfer of a significant portion of risks to international insurance markets.

Mauritania is highly exposed to natural hazards. The country also faces high socio-economic vulnerabilities as well as food insecurity and malnutrition, which are at the heart of national concerns. For these reasons, the Government quickly took the opportunity to subscribe in 2014 to the insurance offered by the African Risk Capacity (ARC) to protect against the risks of drought. ARC also offered UN agencies and other humanitarian actors to purchase equivalent insurance in member countries, allowing them to double potential insurance payouts. It is in this context that WFP Mauritania has been taking out insurance since 2019 for the most vulnerable populations of Mauritania. In addition to increasing the financial capacity for the response, this action aims to strengthen

coordination between the Government and development partners in the response process, in particular between the Mauritania's Food Security Commission (CSA) and WFP.

In 2014, ARC launched an insurance product to allow member States to be covered by insurance from the risk of drought. The insurance product is parametric and, in exchange for a premium paid each year to ARC, member countries may receive a payout defined by the parameters set out in the insurance contract. This insurance has both advantages and disadvantages. The advantages include the contribution to the financing of early food and nutrition assistance, the timeliness of interventions which can save valuable resources for the government and better response planning of the food and nutrition crises. On the other hand, parametric insurance is based on parameters and models, which sometimes do not accurately reflect the situation on the ground. Models always present an unavoidable risk.

“In addition to increasing the financial capacity for the response, ARC Replica aims to strengthen coordination between the Government and development partners in the response process, in particular between Mauritania's Food Security Commission and WFP.”





# Interviews

Support related to the  
**R4 Rural Resilience Initiative**

Swiss Agency For Development and  
Cooperation (SDC) Interview

**Stephanie A. Lux**

*Senior Regional Programme Officer  
at the Embassy of Switzerland  
to Zimbabwe, Zambia and Malawi*



Switzerland has supported the R4 Rural Resilience Initiative since 2015 across three countries in Southern Africa (initially Malawi and Zambia and since 2017, Zimbabwe). We are now supporting a last phase that will end in 2025. We believe that long-term support, especially for resilience building interventions, is important and needed. The last phase will increasingly focus on gender transformative approaches as well as interventions to strengthen private sector and government involvement.

Switzerland sees climate risk insurance as a key way to build absorptive capacities of households vulnerable to the effects of climate change. Additionally, especially in fragile environments such as Zimbabwe and Zambia, building of absorptive capacity through insurance can be a key entry point to move households out of vulnerability and onto resilience pathways. We also consider it key that climate insurance is sequenced and layered with other activities such as assets, savings, access to information, diversification of livelihoods and access to markets. Such an integrated approach can build long-term resilience of vulnerable households and communities in Southern Africa and beyond.

“Switzerland sees climate risk insurance as a key way to build absorptive capacities of households vulnerable to the effects of climate change,”

Having invested in climate insurance under the R4 Rural Resilience Initiative in Southern Africa, we have seen how important macro-economic factors are to the functioning of climate insurance. The approach has been hugely successful in Zambia and was taken up by Government and rolled out to an additional one million households. However, in Zimbabwe, it has been much more complex in an environment characterized by hyperinflation, lack of liquidity and multiple currencies. We hence hope that WFP will be able to build up an evidence base of factors influencing the success of this approach and are adaptive in environments such as Zimbabwe. More broadly, we hope the sector more closely considers how climate change risks intersect with other risk drivers such as (gender) inequality, fragility and macro-economic instability.

Climate insurance builds farmers adaptive capacities to manage climate-related shocks and stresses in the short-term. It allows farmers to invest in seeds and grow their crops for own-consumption and sale in highly unpredictable environments. Through focusing the insurance on drought-resilient crops such as small grains, farmers are also able to diversify the crops they grow and improve the nutrition of their families and communities. However, as a buffer, climate insurance is unable to address structural drivers of vulnerability and can hence not be seen as a stand-alone solution to the climate crisis.



# Interviews

Support related to the  
**ARC Replica Programme**

United States Agency for International  
Development (USAID) Interview

**Ann Vaughan**

*Senior Climate Advisor, Bureau for Resilience  
and Food Security, USAID*



USAID contributes financially to the ARC Replica programme to support technical assistance and premium support for drought and cyclone policies for African countries. The hope is that this funding will soon support risk layering activities.

Since 2015, USAID has partnered to support the African Risk Capacity (ARC) Group to improve the global response to climate-related food security emergencies. Given the frequency and intensity of climatic events around the world, and the magnitude of these disasters in driving higher rates of food insecurity, migration and conflict, a key USAID priority is building resilience and mainstreaming disaster risk management and ex-ante financing into programming and policies.

**“African Union countries are facing increasing shocks and stressors because of climate change, and they need solutions to work quickly and effectively. WFP’s technical assistance to governments and effective implementation of disaster relief - before negative coping begins - is critical to the success of these efforts.”**

As we know, disaster risk finance alone is not a silver bullet nor sufficient. We need to encourage partner governments to commit to strengthen and expand coverage of national social protection programs to help vulnerable populations during ‘normal’ or non-emergency times, as well as efficiently and effectively transfer financial resources to those in need after disasters strike. Without systems in place to quickly implement relief programs, our financing will be less effective. We look forward to WFP’s experimenting with risk layering to optimize the use of insurance within a wider risk financing strategy.






Climate risk insurance is an important tool for managing risk. For example, African Union countries are facing increasing shocks and stressors because of climate change, and they need solutions to work quickly and effectively. WFP’s technical assistance to governments and effective implementation of disaster relief - before negative coping begins - is critical to the success of these efforts.



# OUR REACH AND SCALE IN 2021

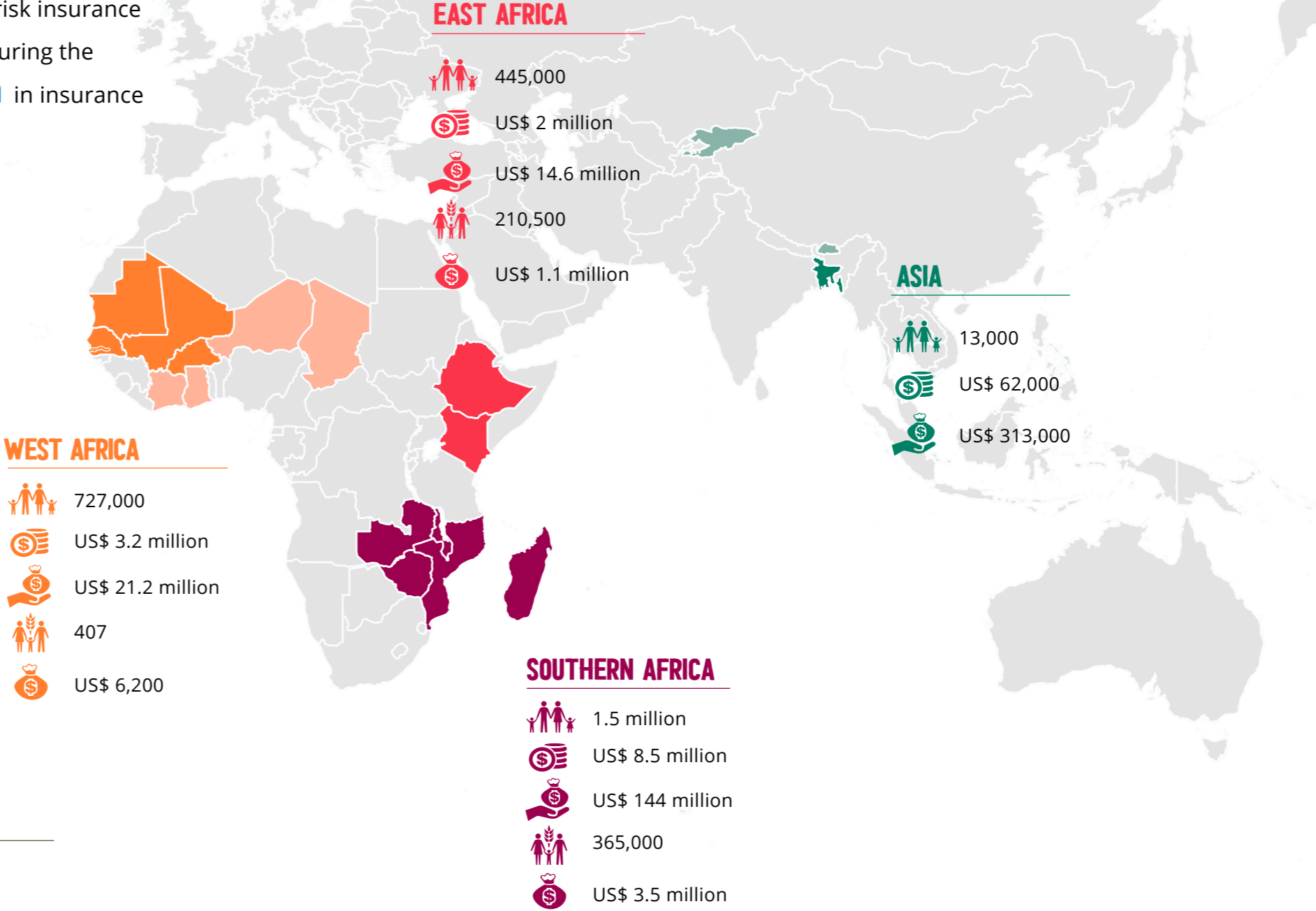
WFP has reached over **2.7 million people** with climate risk insurance and other integrated climate risk management tools in 18 countries during the 2021/2022 agricultural campaign, with over **US\$ 4.7 million** in insurance payouts distributed to over **576,000 people**.

## LATIN AMERICA & THE CARIBBEAN

-  12,500
-  US\$ 171,000
-  US\$ 6.5 million
-  315
-  US\$ 29,000

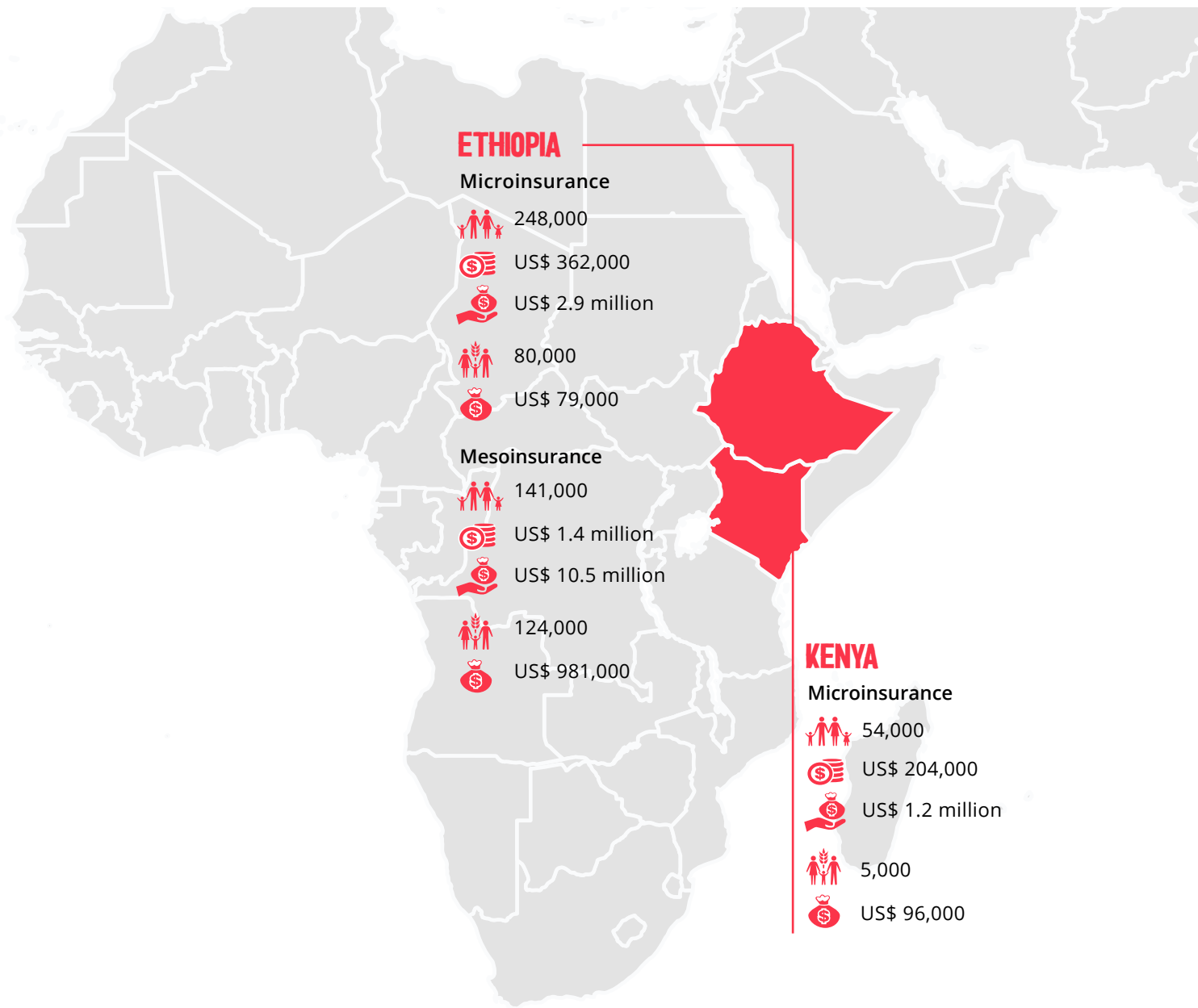
## LEGEND

-  Number of people insured
-  US\$ value of premiums
-  US\$ value of sum insured
-  Number of people benefitting from insurance payouts
-  US\$ value of payouts disbursed in 2021
-  Current countries
-  Expansion countries



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The designations employed and the presentation of material in the maps do not imply the expression of any opinion whatsoever of WFP concerning the legal or constitutional status of any country, territory or sea area, or concerning the delimitation of frontiers.

# EAST AFRICA




## LEGEND

- Number of people insured
- US\$ value of premiums
- US\$ value of sum insured
- Number of people benefitting from insurance payouts
- US\$ value of payouts disbursed in 2021
- Current countries
- Expansion countries



# ETHIOPIA

 With financial support from KfW, SIDA, DANIDA

## Risk reduction and financial inclusion



**50,000** people benefitted from assets and climate adaptation practices facilitated by WFP's Risk Management activities



**21,000** participants engaged in financial inclusion initiatives promoted by WFP, of which **35 percent** are women.



**US\$ 80,000** of savings made by participants of financial inclusion initiatives promoted by WFP



**US\$59,000** of loans accessed by participants of financial inclusion initiatives promoted by WFP

## Microinsurance



**249,000** people covered with microinsurance



**50,000** households insured



**US\$ 363,000** of insurance premium



**US\$ 2.9 million** of sum insured



**US\$ 80,000** of payouts triggered, benefitting **80,000** people

## Meso-insurance



**141,000** people covered with meso-insurance



**28,000** households insured



**US\$ 1.4 million** of insurance premium



**US\$ 10.5 million** of sum insured



**US\$ 981,000** of payouts triggered, benefitting **125,000** people

## CLIMATE RISK FINANCING AND INSURANCE IN ETHIOPIA

Integrated Risk Management programmes are implemented within the framework of WFP Ethiopia's Country Strategic Plan (CSP) 2020-2025, as part of the provision of nutrition-sensitive social protection, climate risk management services and capacity-strengthening support for smallholder farmers, pastoralists, refugees and returnees most vulnerable to climate shocks. WFP Ethiopia implements two integrated risk management programmes, the R4 Rural Resilience Initiative and the Satellite Index Insurance for Pastoralists in Ethiopia (SIPE).

The two programmes provide access to insurance solutions to vulnerable and food-insecure households in drought-prone regions as part of an integrated risk management approach. Households can access microinsurance by engaging in disaster risk reduction work, such as working on soil and water conservation. Beneficiaries also receive access to financial services through Village Economic and Social Associations (VESA), are trained on basic financial literacy, and supported to build their savings capacity. Beneficiaries are also facilitated to access loans, accompanied by technical support in developing their income-generating activities.

## 2021 PROGRESS

In 2021, WFP Ethiopia scaled up its insurance programmes, reaching 49,797 households under R4 and 28,297 pastoralist households under SIPE. Under SIPE, severe drought conditions triggered a payout of over US\$ 981,000 to participating households. Project participants were supported to open digital or plastic accounts with the Somali Microfinance Institution (SMFI). These accounts allow participants to receive insurance payouts or access other financial services such as money transfers, payments, and airtime top-up. Improving pastoralists' access to financial services is one of the programme's objectives. In 2021, field agents supported the setting up of 29 new savings groups, with nearly 600 members, providing participants with all necessary technical and material support. To improve participants' management of natural resources, awareness-raising events on participatory rangeland management were conducted, which supported the establishment and strengthening of community-based rangeland management systems and governance structures. In addition, farm inputs including maize, sorghum, sesame seeds and farm tools were provided to 400 households to diversify their livelihoods.

Under R4, work continued to enhance the capacities of the local index design team through a joint index design process with the technical service provider, the International Research Institute for Climate and Society (IRI). This is an important step towards building national capacities and ensuring local systems are established for designing Weather Index Insurance (WII) products in Ethiopia. Specifically, the Index Design Team was involved in all the steps of the design process, from community data collection to data review, cleaning, and parameter optimization, with technical guidance from IRI, leading to an improvement of the 2021 product.

The need for adequate consumer protection and awareness creation material led to the development of audio-video tools and posters, with the support of an external design company. The products developed in 2021 will be provided to field-level implementing and insurance partners and will be used during the 2022 awareness creation season. Moreover, the constant need to improve beneficiary registration led to the introduction of a digital registration platform in 2021 to register beneficiaries participating to the project, and the insurance component.

## 2021 KEY ACHIEVEMENTS



R4 expanded greatly in 2021, almost doubling the number of households insured. Nearly 50,000 households in 16 woredas have now access to insurance policies for the short and long cropping seasons.



Massive improvements were made in the WII product quality by shifting the index design scale from district to the village level and by designing individual indices for 174 villages.



1,200 VESA committee members (43 percent women) were trained on financial literacy, governance, and leadership to improve their performance and increase their leadership role in VESA management.



In partnership with the Somali Regional Bureau of Agriculture and Natural Resource Development (BoANRD) and the Bureau of Livestock and Pasture Development (BoLPD), over 28,000 households were insured under SIPE.

# ETHIOPIA

## COUNTRY CONTEXT



Ethiopia has faced significant challenges in 2021, including the impacts of the COVID-19 pandemic, which continues to affect the country, the Northern Ethiopia Conflict, and severe drought. More than 2 million people reported being displaced by August 2021 due to the Northern Ethiopia Conflict, with the number increasing with the expansion of the conflict in October. Drought is being experienced in central, southern, and eastern areas of the country, deteriorating these regions' food security situation. The macroeconomy also remains weak due to a shortage of foreign currency, a high debt burden, and declining loan and budget support.

## INTEGRATED RISK MANAGEMENT IN ETHIOPIA

The R4 Rural Resilience Initiative in Ethiopia provides an integrated climate risk management support to rural populations through a four-pronged approach.

Farmers access insurance by contributing their time and labour, through Insurance-for-Work (IFW) Schemes. When an extreme drought passes a certain threshold, insurance payouts are triggered to compensate for weather-related losses, preventing farmers from selling productive assets and resorting to negative coping strategies, and stimulating a faster recovery.

IFW schemes are built into the government's existing Productive Safety Nets Programme (PSNP). Assets built through risk reduction activities promote resilience by steadily decreasing vulnerability to climate-related disaster risks over time.

Participants receive financial literacy trainings and are supported to access financial services, including village savings schemes and credit for diversifying their livelihoods and increasing their incomes.



### RISK REDUCTION

The R4 risk reduction component builds on the public works of the National Productive Safety Net Programme (PSNP). Farmers work for a specified number of days in addition to PSNP labour days, corresponding to the premium amount owed to receive the insurance coverage. In 2021, 33 government experts were trained on Integrated Watershed Management (IWSM) and Environmental and Social Safeguards and 184 Development Agents, Community Development Facilitators (CDF), watershed committees, and extension promoters were also trained (27 percent women). 307 project participants of watershed committees were also provided training on IWSM. Through the IfW scheme 2,7 million tree seedlings were planted in 135 villages in 16 target woredas, which covers 471 hectares of land.

Sixteen local government nurseries were also supported with nursery materials to improve their capacities and provision of seedlings for the rehabilitation of watersheds. These will indirectly benefit about 102,000 households. Nursery management trainings were organized for 20 nursery supervisors to improve their skills and capacities. Training of Trainers (ToT) on Climate Smart Agriculture (CSA) was provided to 24 government experts and CDF, to improve their understanding of the CSA concept, plan CSA practices and demonstrate CSA practices for farmers' training centers and extend their services through the provision of technical support to selected model farmers.



### RISK TRANSFER

The Regional Index Design Team, composed of nine team members, and led by Bahir Dar University, actively participated in the index design process with the technical support from IRI. Training on WII was provided to 83 Government staff in new target areas who further cascaded the trainings to the Kebele Food Security Task Force (KFSTF). Over 1,000 KFSTF members in 11 woredas received training about R4 and WII which helped them to organize the action plan to engage in sensitization, registration, and premium collection. As a result of awareness creation and sensitization nearly 50,000 households were enrolled to the programme and the WII coverage.



### RISK RETENTION AND PRUDENT RISK TAKING

42 cooperating partner staff were trained on financial services, particularly to improve the staff knowledge, skills and support the set-up of VESAs and their management. In the expansion areas, 80 project staff were trained on VESA methodology and 2,500 VESA discussion manuals were printed for direct use by VESA facilitators. Training on financial literacy, governance, and leadership was provided to 1,200 (545 women) VESA committee members to improve their performance and increase their leadership role in VESA management. This training aims to increase women's participation in decision-making, and negotiation capacity within the committee and community levels.

In 2021, 948 VESA groups with 20,000 members (35 percent women) were functional and practiced savings and loans activities. Members mobilized savings for a total of US\$ 60,000. Loan distribution shows that beneficiaries improve their knowledge of financial literacy, business skills, and income-generating activities. More households have become eligible to take a loan for grain trading, vegetable production, and small ruminants.


In partnership with local microfinance institutions, R4 provided access to microloans for project beneficiaries. More than 7,000 participants were identified as potential customers for loan services, out of which 158 households (72 women) received access to a loan after the development of business plans with the support of development agents. Moreover, 212 government staff (50 women) received training on business plan preparation to improve their capacity to provide technical assistance to project participants.



*Livestock have been highly affected by the severe drought in the Somali Region of Ethiopia.*

WFP/Michael Tewelde

# KENYA

 With financial support from Global Affairs Canada

## Microinsurance and ICRM



**54,600** people covered with microinsurance



**12,200** households insured



**US\$ 204,000** of insurance premium



**US\$ 1.2 million** of sum insured



**US\$ 96,000** of payouts triggered, benefitting **5,500** people



**18,600** people benefiting from assets and climate adaptation practices facilitated by WFP's Risk Management Activities



**25,600** participants engaged in financial inclusion initiatives promoted by WFP, of which **75 percent** are women.



**US\$ 566,000** of savings made by participants of financial inclusion



**US\$ 86,200** of loans accessed by participants of financial inclusion initiatives promoted by WFP

## COUNTRY CONTEXT



In 2021, Kenya faced multiple shocks including droughts - due to consecutive failed rainfall seasons - the COVID-19 pandemic, desert locust infestation and inter-communal conflict, negatively affecting vulnerable people's food security. Findings from the October Short Rains Assessment indicate an estimated 2.8 million people in the Arid and Semi-Arid Lands (ASAL) counties were classified as food insecure (IPC 3 or above). The Government of Kenya declared the ongoing drought a national disaster on September 2021 calling on humanitarian actors to support the government's efforts in response to the food security situation. In the Semi-Arid Counties of Makeni, Kitui and Taita Taveta the below average October to December short rains provided short-lived improvements in rangeland resource availability and reduced cropping activities. Food insecurity is expected to remain elevated, due to low household food availability from below average household food stocks.

## CLIMATE RISK FINANCING AND INSURANCE IN KENYA

Since 2017, WFP Kenya has been implementing an integrated risk management approach -under the R4 Rural Resilience Initiative- as part of WFP's sustainable food systems portfolio. The approach has been initially offering crop insurance to vulnerable farmers in the drought semi-arid county of Kitui through farmers' application of risk reduction measures, including the adoption of good agricultural practices. In 2021, the programme introduced the Risk Retention (savings) component to increase participants households' capacities to save and retain risks, invest in income generating activities as well as to build their financial capacity for insurance premium contributions.

### 2021 PROGRESS

An important achievement in 2021 was the implementation of Village Savings and Loan Groups (VSLA) in three counties, namely Kitui, Makeni and Taita Taveta, which supported beneficiaries to access credit, savings and insurance services. Despite COVID-19, beneficiaries were able to contribute a percentage of their insurance premium and participated in trainings promoted under the VSLAs-related activities. In Kitui, beneficiaries contributed US\$ 30, in Makeni US\$ 25, and in Taita US\$ 10.

In total, over 12,000 farming households were insured for the 2021 Short Rains season. Farmers are protected against several climate-related risks, including droughts, pests and diseases. Standard Operating Procedures were developed to facilitate collection of premium contributions between the VSLA groups and the insurance intermediary, Pula Advisors.

The VSLAs provided a platform for layering, integrating and mainstreaming insurance, financial literacy, nutrition, agronomy, gender and COVID-19 messaging. In addition, a pilot on Community Inclusion Currencies (CICs) was launched in the County of Kitui, where VSLAs were trained on CICs and testing of the currencies is ongoing. The innovative pilot aims to support farmers to develop CICs redeemable for local goods and services and syntropic agroforestry and sustainable water management systems.

Supporting and strengthening VSLAs will be an area of focus going forward. Savings groups can help beneficiaries build a financial base that serves multiple purposes, including providing a buffer for short-term needs, but also for investing, supporting farmers to diversify their livelihood opportunities. If well supported, VSLAs could support linkages of smallholder farmers to other initiatives such as the Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihoods (KCEP-CRAL), DigiFarm and private sector players.

### 2021 KEY ACHIEVEMENTS



10,700 participants contributed 15 percent of their insurance premium while 1,400 contributed 5 percent.



A total of 12,800 beneficiaries participated in Financial Inclusion Initiatives (VSLAs) - 84 percent female - and 665 VSLAs were received financial literacy training.



Partnerships were formed with three County Governments to support R4 implementation and with two collaborative partners - World Vision and Grassroots Economics, a local based NGO layering CIC in the VSLAs.



A total of 11,200 beneficiaries (82 percent female) were trained on good agronomical practices with support from the County Government technical teams.



A Village Savings and Loans Association (VSLA) in Tata Taveta, Kenya.  
WFP/ Michael Goode





# STORIES FROM THE FIELD

## Ethiopia: WFP responds as the worst drought in a lifetime intensifies hunger

by Adrienne Bolen

In decades past on the plains of Adadle district, in Ethiopia's Somali Region, grass used to grow so tall that lions could hide in it, people say. Not anymore.

Over the past four months, community hubs in the district have been deserted; more than 80 households have left their homes in search of water. That is what Hana has done and it's not her first such migration. This time around, however, the 49-year-old's cattle are too weak to stand let alone travel in the 40°C heat.

This drought, which threatens 13 million people across the Horn of Africa, has already wiped out 17 of her cows. Now she only has five – a devastating reality for a pastoralist.

In any event, Hana is resigned to staying put with the seven children she is the sole caregiver for. "Whatever happens, happens – but we cannot move," she says. "We are forced to stay here and focus on what little we can do to care for our cattle, and hope that we survive."

To keep her remaining animals alive, Hana has no choice but to feed them straw plucked from the thatched roof of her home. Without money to buy fresh fodder, this is all she has left to provide them. "It's barely enough to keep them alive – they haven't been able to produce milk in over a year," she says.

*This section reports excerpts of an article published in February 2022. Click [here](#) to read the full story.*



*Hana's remaining cows have not expressed milk in over a year.*  
WFP/Michael Tewelde

Besides providing emergency food assistance to those affected by drought in the Somali Region, the World Food Programme (WFP) provides microinsurance to pastoralists like Hana to protect their livestock from climate extremes such as drought.

More than 25,000 families in the region, accounting for 90 percent of people whom WFP is supporting with the insurance, received a payout in late December to help them cope with the drought's devastating impact. In total, US\$900,000 was distributed to the worst affected.

## ***With each season drier than the last, families inch closer and closer to losing all***

Hana pooled her US\$35 payout with her neighbour's to buy 10,000-litres of water – a top priority for those who are unable to migrate.

Down the road from Hana lives Abdulahi, who throughout his 70 years has watched traditional methods of rainfed agriculture become obsolete as the rainy seasons become ever shorter and weaker.

“The climate's changed, weather patterns have changed,” he says. “We know this is contributing to the drought that we are experiencing.”

Every year the Somali Region's dry season is hotter and drier than the last. This means that families could go from having seven animals one year to three the next year – inching closer and closer to losing it all.

In October, Abdulahi began to move his family of 16 from his village closer to the river 7km away, to have access to water. Forced to adapt to the changing climate, he learned new irrigation techniques, which he is now funding with the recent payout from WFP-supported insurance.

He used the money from the payout creatively: to buy fuel for a small generator that pumps water from a stream to irrigate a plot of land to grow fodder for his livestock.

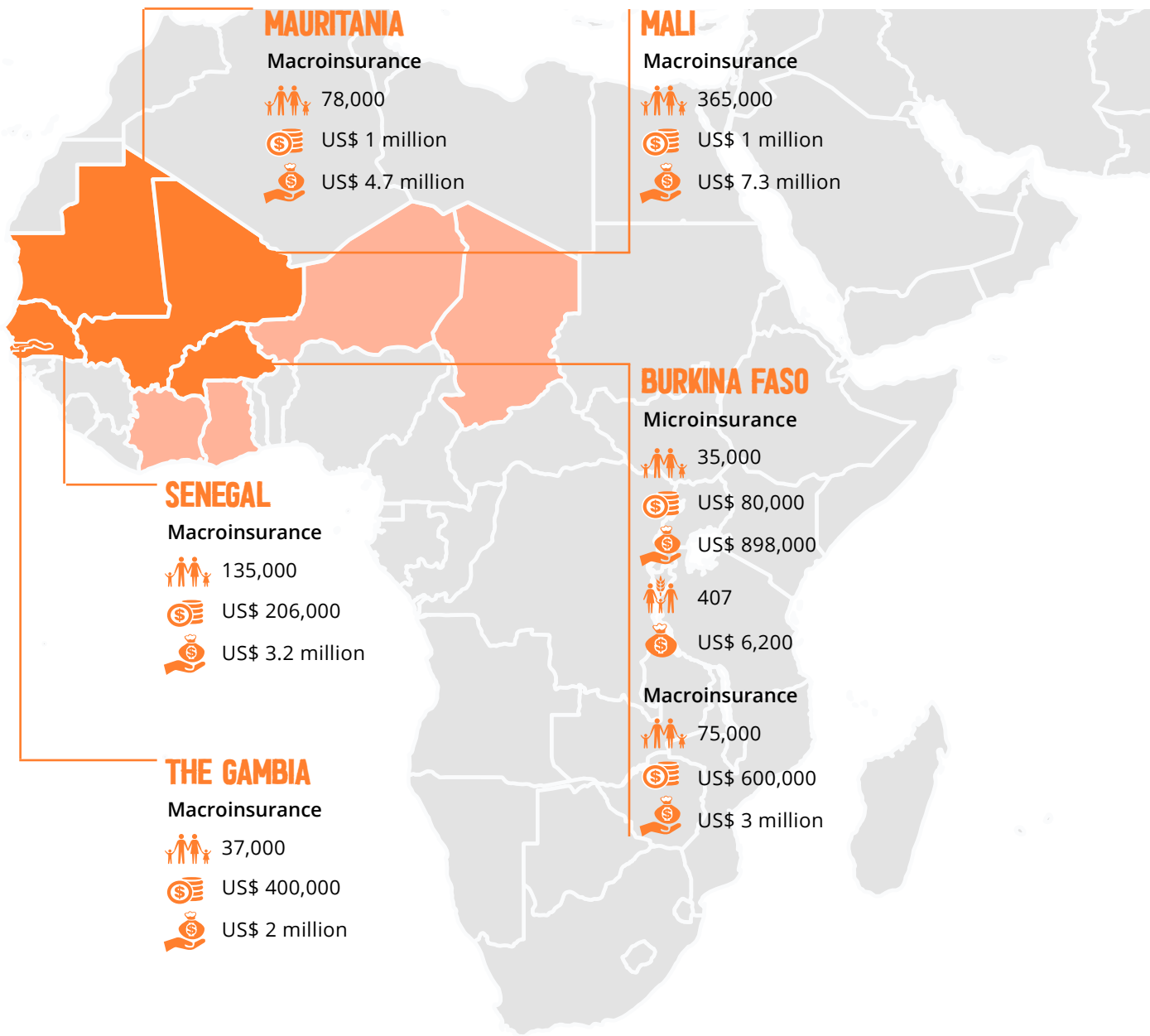


*Abdulahi, 70, walks through a newly settled area in the Adadle district of Ethiopia's Somali Region. WFP/Michael Tewelde*








With thanks to funding from Sweden and Denmark, WFP injects support at times of peak need during the dry season to make sure livestock can survive. But as the climate crisis makes it more and more difficult for pastoralists across southern Ethiopia to grow food and care for their livestock, new long-term solutions are needed.

With more funding, WFP would be able to build on the work it is already doing to change lives in the region such as facilitating early warning systems; cash transfers to help pastoralists prepare for climate shocks before they hit and school meals programmes for children whose families have been affected by drought.

# WEST AFRICA




## LEGEND


-  Number of people insured
-  Number of people benefitting from insurance payouts
-  US\$ value of premiums
-  US\$ value of payouts disbursed in 2021
-  US\$ value of sum insured
-  Current countries
-  Expansion countries




# BURKINA FASO


 With financial support from BMZ, KfW, USAID, Denmark


## Microinsurance and ICRM


 **35,000** people covered with microinsurance

 **5,000** households insured


 **US\$ 81,000** of insurance premium


 **US\$ 898,000** of sum insured

 **US\$ 6,200** of payouts triggered, benefitting **407** people

 **500** participants engaged in financial inclusion initiatives promoted by WFP, of which **60 percent** are women.

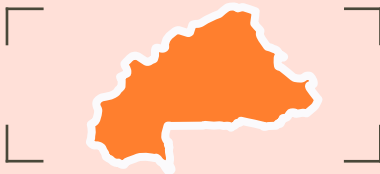
## Macroinsurance

 **75,400** people covered with macroinsurance

 **US\$ 600,000** of insurance premium

 **US\$ 3 million** of sum insured

## COUNTRY CONTEXT



In 2021, Burkina Faso saw a continuous degradation of the security situation, leading to a significant increase in the number of Internally Displaced People (IDPs) -reaching over 1.5 million- coupled by the degradation of health conditions due to the COVID-19 Omicron variant and its negative consequences on trading activities. The 2021/22 crop production saw a deficit of 10 percent compared to the previous year. Prices of main cereals food crops (millet, maize and sorghum) have reached records highs, with negative impacts on trading activities and food access for vulnerable households. All these challenges set the conditions for a structural vulnerability in the northern regions of the country, reinforced by consecutive climatic, environmental, social and economic shocks, as well as significant infrastructure deficit.

## CLIMATE RISK FINANCING AND INSURANCE IN BURKINA FASO

Within the climate and disaster risk financing approach, WFP Burkina Faso started implementing the ARC Replica programme in 2019. The same year the country office also introduced a microinsurance scheme, in partnership with the insurance company Yelen Assurances. Yelen utilizes the index designed by the Technical Working Group (TWG) of ARC, providing greater alignment between the two programmes in terms of seasonal monitoring. Participants of the microinsurance component are also part of an integrated resilience programme, that includes asset creation and post-harvest loss management support to improve their market access. Burkina Faso will be part of a regional joint programme, implemented by the International Fund for Agricultural Development (IFAD) and funded by the Green Climate Fund (GCF), where WFP will oversee the microinsurance component.

## 2021 PROGRESS

In 2021, WFP purchased an ARC Replica policy of US\$ 600,000, protecting over 75,000 people from catastrophic drought events in Burkina Faso. This year, the Country Office focused on strengthening the capacity of the Government and the Technical Working Group (TWG) with regards to index customization and optimization of the risk transfer parameters -which include the level of risk a country wishes to transfer and the frequency of payouts- as well as updating the ARC Replica operational plan, in coordination with the Government's operation plan. A workshop was organized by the Government to discuss the risk transfer parameters, attended by 20 institutions.

Seasonal monitoring was conducted by WFP, the TWG and the service provider GeoWatch, who focused on two districts, selected by the TWG. Satellite monitoring is a necessity considering the security conditions. A glitch in the dataset used by ARC created some uncertainties on the season results, although some clear losses have been experienced. ARC Ltd is currently assessing the situation to provide updated results.

As part of the microinsurance programme, 5,000 households voluntarily subscribed to an insurance policy and benefitted from capacity strengthening. A small payout was triggered and will be distributed in 2022.

Key challenges and lessons learned include:

- Capacity strengthening to the Government and the technical working group are key due to the importance of index customization on the software.
- Resources are needed to ensure that all Food Assistance for Assets (FFA) participants can benefit from insurance and that the integrated risk management approach is well implemented with an efficient package.

## 2021 KEY ACHIEVEMENTS



Established collaboration with the National Meteorological Agency (ANAM) on disaster risk reduction capacity strengthening and with GeoWatch on seasonal monitoring.




382,000 FFA beneficiaries engaged in activities to reduce vulnerability to climate shocks.




A beneficiary holding her check in the presence of WFP, Burkina Faso.


WFP/ Bintou Diallo

# MALI

 With financial support from KfW, USAID

## Macroinsurance

 **365,500** people covered with macroinsurance

 **US\$ 1 million** of insurance premium

 **US\$ 7.3 million** of sum insured

## COUNTRY CONTEXT



In Mali, the combined effects of recurrent droughts and increased insecurity have contributed to a gradual deterioration of livelihoods. Besides the climate-related and human-caused shocks, other key challenges affecting the country include high demographic growth, widespread poverty, underemployment, and the degradation of the agroecological resource base. The 2021 growing season in Mali was characterized by a poor temporal and spatial distribution of rainfall, with a late start of rainfall resulting in crop failures.

## CLIMATE RISK FINANCING AND INSURANCE IN MALI

The risk financing approach in Mali has focused on macroinsurance activities under the ARC Replica programme. WFP Mali piloted ARC Replica in 2018 and has since then bought macroinsurance policies to protect the most vulnerable against catastrophic drought events. Through ARC Replica, WFP Mali strengthens the Government's capacity to manage climate-related shocks by reinforcing national social protection systems and programmes.

## 2021 PROGRESS

In 2021, activities focused on strengthening the capacity of the ARC Technical Working Group and conducting field data collection during the rainy season. This has included a capacity building workshop on the in-depth use of the Africa Risk View (ARV) software in May in Bamako. A second capacity building workshop on the ARV tool took place in Abidjan in October. The workshop made it possible to develop a special seasonal monitoring report which was sent to the Malian authorities to alert them on the difficult seasonal conditions, due to the dry spells experienced at the start of the season.

Three field missions were conducted throughout the year to assess the agricultural season. This included a first kick-off assessment mission; a second mid-term monitoring mission; and a third field mission to assess the end-of-season conditions.

Following the late onset of rainfall, Mali suffered from crop failures which resulted in the largest payout WFP has ever received under the ARC Replica programme. Notably, WFP received over US\$ 7.1 million to assist affected people with early food assistance through cash transfers, close to the maximum payout WFP could receive from this insurance policy. The payout will allow WFP to protect over 200,000 of the most vulnerable people in Mali affected by failed harvests in early 2022.

To support Mali develop its Final Implementation Plan (FIP) – the plan providing a detailed account of the interventions to be implemented as well as the targeted locations and beneficiaries once a payout is confirmed- a team from Mauritania brought technical support and advice to Mali in its FIP elaboration workshop in November 2021. Once finalized, the FIP was then approved by the Government, allowing WFP to implement its response in early 2022.

## 2021 KEY ACHIEVEMENTS



Developed the Final Implementation Plan (FIP) with support from Mauritania's Technical Working Group.



12 workshops were conducted in 2021, including ARV trainings, Operational Plan (OP) and FIP workshops and monthly Technical Working Group (TWG) meetings.



The Government and WFP signed a drought insurance policy for the 2021 agricultural season, with WFP protecting over 360,000 people against catastrophic drought.




In-depth trainings on ARV software led to the development of a special seasonal monitoring report by the TWG.




Rice field in Mali. WFP/Richard Mbouet

# MAURITANIA

 With financial support from KfW, Denmark

## Macroinsurance

 **78,700** people covered with macroinsurance

 **US\$ 1 million** of insurance premium

 **US\$ 4.7 million** of sum insured

## COUNTRY CONTEXT



In 2021, COVID-19, high commodity prices and a severe drought severely impacted food security in Mauritania. Two epidemic waves of COVID-19 forced the authorities to temporarily restrict people's freedom of movement and impose curfews, causing a decrease in income from the informal sector -including restaurants, transport, small shops- which accounts for about 75 percent of employment. Disruptions to cross-border trade and a hike in global food prices reduced people's access to food. The country also experienced a severe drought, which led to the failure of much of the rain-fed agricultural crops and a sharp decline in fodder production for livestock. According to the November 2021 Cadre Harmonisé -a unifying tool for classifying and analyzing current and projected food and nutrition situations- more than 660,000 people are projected to be food insecure during the 2022 lean season, representing a 36.5 percent increase from the previous year.

## CLIMATE RISK FINANCING AND INSURANCE IN MAURITANIA

The risk financing approach is being modernised in Mauritania, within a broader adaptive social protection scheme. In partnership with the World Bank, WFP is supporting the Government in the development of a national food and nutrition crisis response fund. This fund will be used to catalyse sources of funding for the response and to finance activities under the national crisis response plan. Among the risk financing tools, Mauritania has been taking out macroinsurance for drought with ARC since 2014, and WFP has been replicating this insurance since 2018 through the ARC Replica programme, funded by the German state-owned development bank, KfW. Drought insurance has covered farmers since 2014 and livestock keepers since 2021. Government and WFP operational plans include food assistance activities in the form of cash or food, as well as nutritional support in the form of fortified flours distributed to children and pregnant and lactating women.

## 2021 PROGRESS

Through the ARC Replica initiative, WFP has been supporting the Government since 2018 in optimizing its drought insurance. As in previous years, this support is structured in an annual work plan. From December to June, efforts focus on customizing indices, defining risk transfer parameters and revising memoranda of understanding, until the insurance contract is signed. From July to November, the technical working group monitors the season by methodically comparing satellite rainfall estimates and field rainfall data, integrating all available information into the analysis to ensure that agricultural and pastoral indices accurately reflect the field situation.

In 2021, as in 2019, this exercise revealed a significant gap between the indices and the reality on the ground. The documentation of this discrepancy in a comprehensive analysis bulletin enabled the Government to file a request with ARC, which acknowledged malfunctions in the satellites. This malfunction did not allow the Africa Risk View (ARV) software to correctly measure the extent of the drought, which was one of the worst recorded over the last 20 years. As a result, a payout will be issued in March 2022.

Meanwhile, WFP continued to provide its expertise to improve the customization of the indices. In 2019, an econometric study improved the customization of the agricultural index and strengthened the case for the introduction of a pastoral index. This pastoral index was configured in 2020, tested for the first time in 2021, and an econometric study improved its customization for the 2022 insurance.

Likewise, WFP supported the update of both Government and WFP's Operational Plans (OPs) in 2021, aligning activities with Mauritania's new comprehensive National preparedness and response scheme. Insurance is one of the risk financing tools available to the country's risk financing strategy.

## 2021 KEY ACHIEVEMENTS



Both Government and WFP's OP were updated in 2021 with the aim of responding as early as possible within the framework of Mauritania's new comprehensive National preparedness and response scheme..



The monitoring of the pastoral index during the season, as well as an econometric study, resulted in optimizing its customization in ARV for the 2022 insurance contract.



In addition to an agriculture insurance policy, the Government and WFP signed a pastoral insurance policy for the first time in 2021.catastrophic drought.



Recognized for its expertise in operational planning, a team from Mauritania has been delegated to help Mali develop its Final Implementation Plan (FIP) in 2021.




WFP ARC Replica officer Jean-Loic Gueze and Mauritania's technical working group representative Sid Ahmed Boubacar brought support to Mali in its FIP elaboration workshop in November 2022.


WFP/ Myrline Sanogo Mathieu





# SENEGAL

 *With financial support from GCF*


## Microinsurance and ICRM


 **135,000** people covered with microinsurance


 **15,000** households insured


 **US\$ 206,000** of insurance premium

 **US\$ 3.2 million** of sum insured

 **129,000** people benefitted from assets and climate adaptation practices facilitated by WFP's Risk Management activities

 **18,000** participants engaged in financial inclusion initiatives promoted by WFP, of which **87 percent** are women.

 **US\$ 226,000** of savings made by participants of financial inclusion initiatives promoted by WFP activities

 **US\$ 167,000** of loans accessed by participants of financial inclusion initiatives promoted by WFP activities

## COUNTRY CONTEXT



Despite being a stable and democratic country, Senegal is among the world's least developed countries, ranking 66th out of 116 countries in the 2021 Global Hunger Index. The country is vulnerable to various natural hazards, including coastal erosion, droughts, floods, locust invasions, landslides, fires and sea-level rise. Scarce food production, droughts, land degradation and high food prices have negatively affected the country's food security. According to the October 2021 Cadre Harmonisé, over 300,000 people are expected to suffer from food insecurity, with the number projected to increase to over 770,000 people during the 2022 lean season.

## CLIMATE RISK FINANCING AND INSURANCE IN SENEGAL

WFP Senegal implements an integrated approach which combines risk reduction -through WFP's Food Assistance for Assets (FFA) and climate services- risk transfer through microinsurance, risk reserves and prudent risk taking through savings, livelihoods diversification and easier access to credit. By participating in FFA and receiving climate information regarding their seeding calendar, food insecure farmers gradually build their adaptive capacity and decrease their vulnerability to climate-related shocks. Farmers access weather or yield index insurance by contributing their time in rehabilitating assets -with WFP paying the insurance on their behalf- or by independently paying their full premium. Insurance policies are delivered through Savings for Change (SfC) associations. Small-scale savings contribute to developing a stronger financial base for investing, but also act as a buffer for short-term needs. Both savings and credit combined enable farmers to gradually transition from the subsistence level to the surplus production level. This has the potential to connect them to markets and other larger-scale buyers or WFP-supported school meals programmes.

### 2021 PROGRESS

In 2021, 23,000 farming households enrolled for insurance, benefitting 207,000 people. Of these farmers, 15,000 (benefitting 135,000 people) accessed insurance by participating in risk reduction activities, while the remaining accessed insurance by paying the full premium in cash. Farmers enrolled in insurance schemes and in SfC groups received trainings on microinsurance. In line with the graduation strategy, half of the farmers contributed to premium payment through their savings. A payout of US\$98,432 was triggered, benefitting over 90,000 people.

Under the risk reduction component, data collection showed a 17 percent increase in yields in the intervention areas from 2020 to 2021. Climate information services were delivered in 2021, enabling farmers to make better informed farming decisions and avoid unnecessary post-harvest losses.

Under the risk transfer component, the time is considered ripe to delegate the design of insurance indices and products to the national insurance company CNAAS. WFP will now focus on the demand side, including ensuring that its target participants have access to microinsurance services in a sustainable manner. This demand-side focus includes better integrating insurance with other services, building an effective distribution network, as well as investing in income generation and financial literacy for participants.

Difficulties encountered this year in fact relate to the number of participants in the insurance scheme training sessions. While all SfC group members participated in financial education trainings, the number of people (especially women) participating in the insurance trainings or awareness-raising sessions was low. In addition, the number of women smallholder farmers subscribing to the insurance schemes was extremely low. Efforts will be made next year to improve this aspect.

### 2021 KEY ACHIEVEMENTS



Partnerships were strengthened with four national partners in the area of agricultural insurance, savings and climate services to facilitate farmers' access to microfinance products.



Over 800,000 people were reached with direct information on climate and weather risk through radio programmes facilitated by WFP's partner Jokolante. Thanks to the partnership with Jokolante, WFP also reached over 4,000 people with climate information via SMS in local languages.



17,000 savings group members were trained on financial education to enhance their financial skills planning. 15 small and medium enterprises benefitted from WFP support to strengthen their Income Generating Activities (IGAs).




As part of the microinsurance graduation strategy, 8,000 farming households fully paid their insurance premium in 2021, while WFP paid the premium for the remaining 7,000 households.





CNAAS and the NGO La Lumière co-host radio programmes to raise awareness of index insurance for farmers. During these broadcasts, listeners actively participate by asking questions on the subject under discussion  
WFP/ Senegal CO

# THE GAMBIA

 With financial support from KfW, Denmark

## Macroinsurance

 **37,500** people covered with microinsurance

 **US\$ 400,000** of insurance premium

 **US\$ 2 million** of sum insured

## COUNTRY CONTEXT



The Republic of The Gambia is currently facing rising food insecurity, poverty and malnutrition. The November 2021 Cadre Harmonisé analysis estimated that 111,000 people in the country were in a critical food insecurity situation in the post-harvest period. Furthermore, the increased risk of climate-related disasters makes this country particularly vulnerable due to one of its key economic sectors being rain-fed agriculture. Climate change has led to an increase in extreme weather events, including increased temperatures, decrease in expected rainfall, and flooding. The COVID-19 pandemic has also badly hit the country and posed further challenges for the most vulnerable people.

## CLIMATE RISK FINANCING AND INSURANCE IN THE GAMBIA

As part of the climate risk financing portfolio, WFP The Gambia has been implementing the ARC Replica programme since 2019. The relationship between WFP and the National Disaster Management Agency (NDMA) is very strong and WFP is seen as a significant partner in increasing the capacity of NDMA, the Government more generally and improving the ARC mechanism. NDMA relies on WFP for capacity support both for ARC activities as well as other operational activities including responding to emergencies. Additionally, WFP has been working with NDMA on the development of their Disaster Risk Financing Strategy by being part of the technical working group as well as providing extensive notes and guidance during its implementation. In 2022, WFP The Gambia will also work on developing a microinsurance component, as part of the Rural Integrated Climate Adaptation and Resilience Building Project (RICAR), funded by the Adaptation Fund. The project aims to enhance the adaptive capacity of vulnerable rural populations in The Gambia through support to climate-resilient and diversified livelihoods.

## 2021 PROGRESS

In 2021, WFP continued its collaboration with the Government of Gambia on developing ARC mechanism and the country's risk management capabilities. A review of the National Contingency Plan took place in December 2021 and was chaired by WFP Regional Bureau Dakar (RBD) and the UN Office for the Coordination of Humanitarian Affairs (OCHA). Stakeholders from the Government and non-government response agencies attended, including the police, army, health, agriculture, environment, finance and the NGO sector. Additional regional and district contingency plans were developed throughout 2021, ensuring that contingency plans are available and understood at all levels of governance from a potential national response to a district response. The ARC Replica Operational Plan (OP) review is to take place in February 2022 and will be aligned with the Government OP, as well as the revised National Contingency Plan. The OPs have not been reviewed earlier due to COVID-19 restrictions, availability of staff due to competing COVID-19 priorities and contingency planning review and roll out at national, regional and district level which the new OPs will be based on.

Capacity of the Technical Working Group (TWG) was increased throughout the year, with the TWG now being more experienced on the Africa Risk View (ARV) system and the parameters, with more opportunity in the future to conduct ground truthing and granular analysis of crop requirement that can further support an ARV customization. In addition, WFP supported the installation of four automatic weathers stations in partnership with the Department for Water Resources (DWR). Currently DWR has very weak capacity to record weather data in the country, with some districts being reliant on manual tracking of rainfall. The installation of weather stations will allow DWR to remotely track weather information, as well as to redistribute lower quality stations to secondary sites to increase coverage. These activities will both allow better ground truthing of ARV data, as well as increase the operational capability for agencies to respond at a national, regional and district level to an ARC payout.

## 2021 KEY ACHIEVEMENTS



A Risk Transfer Parameters training was held in February 2021 led by ARC Ltd, to train the Gambian TWG as well as to review the RTP's for 2021/22.



The ARC Policy was signed by the Ministry of Finance & Economic Affairs, with the budget split between the African Development Bank and the Ministry of Environment, Climate Change & Natural Resources.



The ARC Replica Policy was signed in June 2021 by WFP and ARC Ltd, protecting nearly 40,000 vulnerable people from extreme drought events.



WFP procured and supported in installing four automatic weathers stations in partnership with the Department for Water Resources (DWR).



*Farmer watering her garden in The Gambia.*

WFP/Mamadou Jallow



# STORIES FROM THE FIELD

## Mali: WFP receives first climate insurance payout to provide early response to climate-affected families

The African Union's African Risk Capacity (ARC) is a risk pooling platform that aims to support African Union Member States manage climate-related disaster risk by providing financial tools and infrastructure. ARC Ltd. offers sovereign insurance products to vulnerable African countries that are prone to extreme climate risks. ARC Ltd. also offers macroinsurance products to humanitarian organizations through ARC Replica, an innovative risk financing solution that improves the effectiveness of emergency response after climate disasters, allowing countries - like Mali - to extend their climate insurance coverage to more vulnerable people in their countries.

As part of the ARC Replica programme, contingency plans are developed and endorsed in close consultation with the Replica counterpart government, outlining the government's as well as WFP's complementary response measures in case insurance payouts are triggered by a large-scale climate shock. In this way, governments and WFP are prepared to react quickly and efficiently when a disaster occurs, and a payout is triggered.

Since 2019, WFP has been buying climate insurance policies in Mali to support the millions of people that depend on local agriculture and are at risk from catastrophic drought events. In 2021, WFP purchased an ARC Replica policy for a total premium of US\$ 1 million and a sum insured of US\$ 7.3 million.

Following Mali's most severe lack of rains in five years and the resulting crop failures which have put nearly 1.9 million people across the country at risk of severe food insecurity, WFP received an ARC Replica insurance payout



*WFP Mali Country Director and Minister of Mali's Food Security Commission during the signature event.*

WFP/Mali CO

of US\$ 7.1 million. This amount is close to the maximum payout WFP could receive from this insurance policy. The insurance compensation will allow WFP to assist 204,000 people with early response in the drought-affected regions of Mali, including Bandiagara, Gao, Kayes and Segou.

With a population already facing the combined effects of conflict, political instability, and the socio-economic impacts of COVID-19, this first-ever climate risk insurance payout in Mali will allow WFP to provide emergency and resilience-building support in a timely manner to the country's most vulnerable and drought-affected people. WFP's response, which will be implemented from March to May 2022, will complement the Government's response, which will also receive an insurance payout from ARC.





**US\$ 7.1 million in insurance payouts were triggered under WFP's ARC Replica programme to support 204,000 vulnerable people**

“The impact of poor rains is clearly visible in affected communities and could prove devastating for many families. Cereal production has decreased, and pasture and water for livestock has shrunk, forcing people to sell off their livestock” said Sally Haydock, WFP’s Country Director and Representative.

“This payout comes at a vital time - helping families adapt to the most severe impacts of climate change and preserve their livelihoods” she added.

With this payout, WFP will provide early food assistance through cash transfers to 161,000 vulnerable people. Over 20,000 children aged from 6 to 23 months, and pregnant women and breastfeeding mothers will receive nutritional support and services. In addition, in order to build resilience and improve communities’ situation, 23,000 people will be part of an emergency-focused community asset building programme, that will include a variety of tools including pastoral wells, water towers and fishponds that will help diversify their production and livelihoods and reduce the impact of future droughts.

“ARC Replica is a valuable programme that complements and supports the efforts of the Malian Government in the fight against food insecurity and malnutrition. The government strategy is to provide half rations to populations in food crisis situations to contribute to national solidarity. Our common interest is to always work together to relieve the populations affected by drought and strengthen their resilience to climate shocks, with innovative solutions such as those offered by the ARC mutual insurance company,” affirmed Mrs. DICKO Bassa Diane, Deputy Minister Commissioner of the Food Security Council.



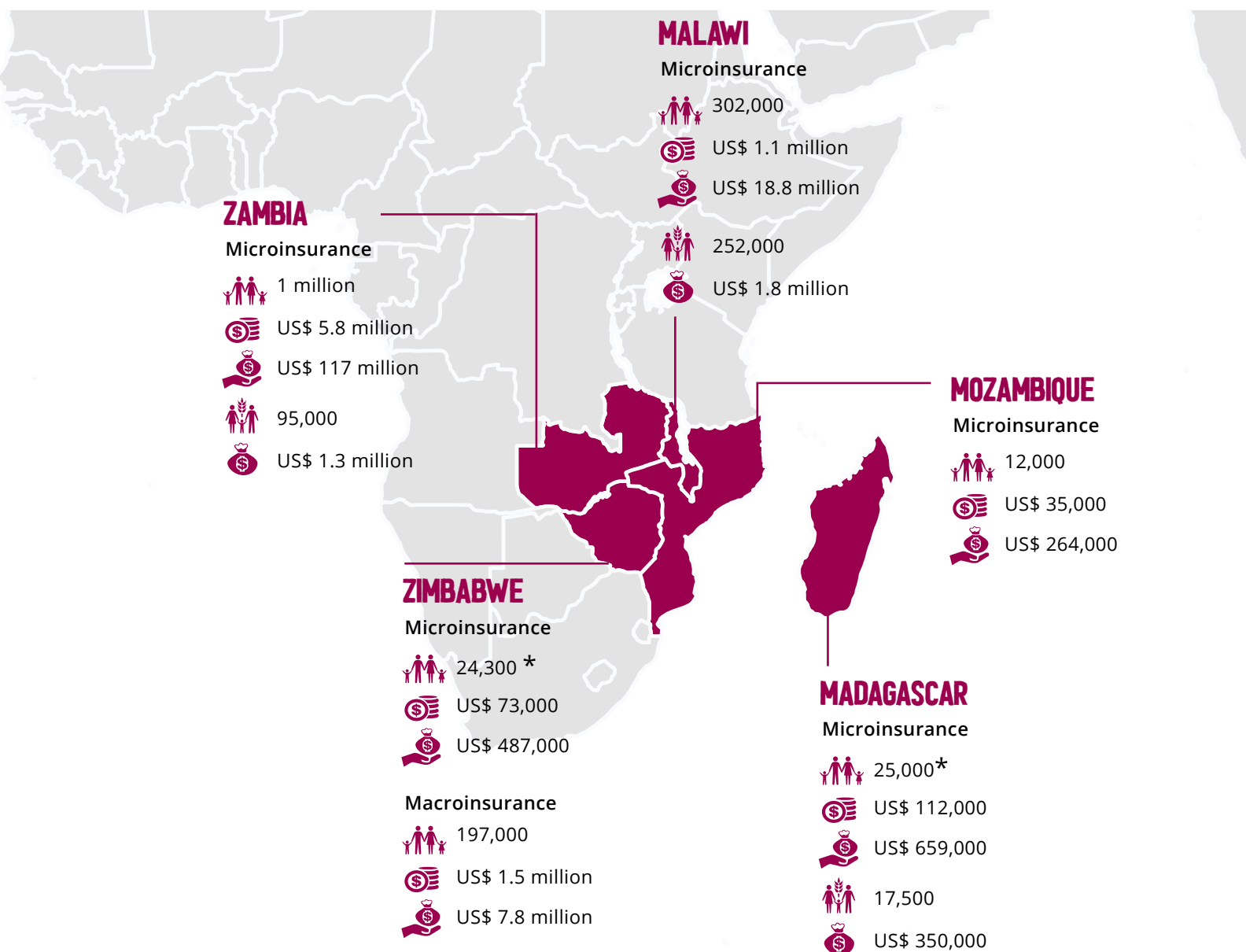
*Technical Working Group (TWG) members participating in the Africa Risk View (ARV) training session. WFP/Mali CO*

As an ARC Replica technical partner, WFP uses the ARC insurance payout to improve its emergency and resilience-building response as it offers more flexibility for early emergency response than regular humanitarian funding systems. In collaboration with ARC, WFP will continue strengthening the technical and operational capacities of the Government of Mali in managing and preventing food insecurity and malnutrition caused by climate shocks.








In 2021, WFP’s insurance premium was funded by the United States Agency for International Development (USAID) and the Government of Germany.

*This section reports excerpts of a news release published in February 2022. [Click here](#) to read the full news release.*

# SOUTHERN AFRICA



## LEGEND


-  Number of people insured
-  Number of people benefitting from insurance payouts
-  US\$ value of premiums
-  US\$ value of payouts disbursed in 2021
-  US\$ value of sum insured
-  Current countries
-  Expansion countries


\* Figures for Zimbabwe and Madagascar refer to people covered by insurance for the 2021/22 season, with insurance premium to be paid in 2022. Payouts figures for Madagascar refer to insurance compensation distributed in 2021.


# MADAGASCAR


 With financial support from the SDG Fund, GIZ, USAID


## Microinsurance and ICRM

 25,000 people covered with microinsurance\*

 5,400 households insured

 US\$ 112,000 of insurance premium

 US\$ 659,000 of sum insured

 US\$ 350,000 of payouts triggered, benefitting 17,500 people

## COUNTRY CONTEXT



Madagascar faces recurrent climate-related shocks - including droughts, floods and cyclones. Southern Madagascar has faced three years of consecutive severe drought, which have destroyed harvests and hindered access to food in Madagascar's Grand South regions. In 2021, the compounded impacts of devastating drought conditions and resulting crop failures, combined by the negative economic impacts of the COVID-19 pandemic, have led to a food crisis in Southern Madagascar. The food security situation significantly deteriorated in the region, with 1.64 million people classified in Crisis (IPC Phase 3) according to the December 2021 Integrated Food Security Phase Classification (IPC) analysis.

## CLIMATE RISK FINANCING AND INSURANCE IN MADAGASCAR

WFP Madagascar has been integrating several climate risk financing tools to build vulnerable people's resilience against climate shocks. In 2020, the country office started implementing microinsurance and financial inclusion programmes. Efforts to introduce macroinsurance were made in 2021, with an agreement signed with the Government to jointly work on improving the risk assessments and analysis tools and prepare complementary response plans in case of drought for the next agricultural campaign. The macroinsurance activities are implemented and designed in coordination with the Forecast-based Financing tool, targeting the same geographic areas with complementary activities, including anticipatory actions before shocks hit followed by specific activities under the macroinsurance operational plans after a shock. Risk reduction and climate adaptation activities have also been introduced this year to increase farmers' adaptive capacity, including by investing in agroecology techniques or improving access to short-cycled crops to lower food insecurity. The risk finance approach is also complemented and linked to market access activities, with microinsurance participants receiving Post-Harvest Loss trainings.

## 2021 PROGRESS

In 2021, WFP Madagascar continued its support to first-year microinsurance participants. Communication and sensitization continued all year long to further explain the insurance mechanism. Participants received two series of payouts for the 2020/2021 season. They received a full payout for the long rain season, which runs from November to April, since maize production was close to zero, amounting to US\$ 350,000. During the short rain season, from May to October, they received a partial payout to compensate for the maize crop failure, as bean crops grew sufficiently during this season, amounting to over US\$ 100,000. All participating households received a payout, benefitting 17,500 people.

A post-distribution monitoring report showed that payouts helped participants to afford food without using negative coping strategies. Some of them were even able to prepare for the next season by accessing new productive tools. Since the pilot microinsurance product was offered only to members of Village Savings and Loans Associations (VSLAs), the news of the payout encouraged non-members to join or to create new VSLA groups.

WFP's microinsurance programme works closely with the IFAD-funded DEFIS programme that aims to increase financial inclusion and support value chains development for the population in the Grand South. In 2021, nearly 6,000 farmers participated in VSLAs, saving a total of US\$ 45,890 and accessing loans worth US\$ 19,350.

Risk reduction activities have been introduced this year for all participants accessing the insurance product for the 2021/2022 season, with farmers implementing either agroecology techniques, growing vegetables or drought resistant crops. First-year participants are now contributing 20 percent of their premium in cash for the 2021/2022 season, thanks mainly to the payout received.

Under the macroinsurance programme, WFP Madagascar has successfully closed an agreement with the Government to launch the ARC Replica partnership, with continuous support for index development and capacity strengthening for the technical working group but without purchasing a policy this year.

## 2021 KEY ACHIEVEMENTS



3,478 participants paying 20 percent of their insurance premium in cash.



12 workshops were conducted in 2021, including ARV trainings. Participants improved Food Consumption Score by 6 percent compared to non-participants.



5,478 households are participating in risk reduction activities. 44 percent of participants are receiving adapted seeds.



All participants received trainings about insurance and post-harvest loss management.




*Sija, microinsurance participant from Sampona, Madagascar, widow head of household of 8 children, talking about how she used the insurance payout.*

WFP/Frederica Andriamanantena


\* Figures refer to the number of farming households and people covered with insurance for the 2021/22 season, with insurance premium to be paid in 2022.





# MALAWI

 With financial support from AF, Flanders, BMZ, SDC, FCDO, USAID


## Microinsurance and ICRM

 **302,700** people covered with microinsurance

 **67,000** households insured

 **US\$ 1.5 million** of insurance premium

 **US\$ 18.8 million** of sum insured

 **US\$ 1.8** of payouts triggered, benefiting **252,000** people

## COUNTRY CONTEXT



Malawi is a low-income and least developed country facing multiple development challenges, including lack of basic social services, land degradation, compounded by high rates of deforestation contributing to natural resource depletion and poverty. Food production is heavily dependent on rainfed agriculture, making smallholder farmers highly vulnerable to increasing climate-related shocks, such as drought. In 2021, the country experienced three waves of COVID-19, prompting the Government to enforce prevention measures to combat further spread of the virus in the country. Despite the restrictive measures, WFP Malawi continued supporting vulnerable people across the country.

## CLIMATE RISK FINANCING AND INSURANCE IN MALAWI

WFP Malawi has been implementing an integrated risk management programme to enhance households and communities' resilience to shocks and stressors, while contributing to sustainable food systems.

WFP Malawi developed a comprehensive integration strategy, with Food Assistance for Assets (FFA) as the cornerstone. FFA was further integrated with climate services, integrated climate risk management (including microinsurance), Village Savings and Loans (VSL) for financial inclusion and Smallholder Agriculture Market Support (SAMS) through post-harvest technologies.

In 2021, WFP continued to strengthen and expand its collaboration with NICO insurance and the technical service provider, Pula Advisors, for the provision of Area Yield Index Insurance (AYII) and Weather Index Insurance (WII).

In addition, WFP participated in an Anticipatory Action (AA) pilot project for the Central Emergency Response Fund (CERF). The triggers for dry spells for the AA project will be piloted in 2022 and 2023.

## 2021 PROGRESS

With support from partners, insurance was scaled up to reach 67,000 households for the 2020/21 season, representing almost a 50 percent increase in the number of beneficiaries covered in the previous season. Farmers were insured through either WII or AYII. While no payout was triggered through the WII, under the area yield index, the coverage triggered payouts equivalent to around US\$ 1.8 million, distributed among nearly 65,000 farming households across all eight districts. A second batch of payouts will be distributed in 2022, with the total payout amounting to 2.4 million. The insurance compensation is one of the largest crop index insurance payout on the African continent, and the largest payout claim in Malawi over the past six years. The payout was triggered to compensate farmers after suffering high losses in the harvests of maize, beans, sorghum, rice, groundnuts, cotton and pigeon peas.

WFP Malawi continued supporting VSLs in 2021. These groups contribute to increasing smallholder farmers' ability to purchase agricultural inputs, invest and diversify their livelihoods. Surveys conducted in 2021 highlighted that 89 percent of both men and women have accessed loans, a significant increase from 2019, where only 40 and 36 percent of men and women respectively took loans.

## 2021 KEY ACHIEVEMENTS



In 2021, an average of 90 percent of participants reported that asset creation improved their natural environment and enhanced their protection from climate-related disasters.



About 76 percent of participants under the ICRM approach reported that they used climate services information to make disaster risk reduction, agricultural and income-related decisions including adjusting their planting period and altering their crop choices.



For the 2021/2022 agricultural season, as part of a Rome-based Agencies (RBAs) multi-year gender transformative approach, WFP set up revolving funds for 64 youth groups, targeting 1,200 youths aged between 18-25 years. The approach aims to remove the financial barrier for youth to participate in VSL due to their inability to pay weekly share values, thereby providing access to loans for income-generating activities.



In 2021, 95 percent of households reported increased crop production. It was also found that in a bad year the average of six months of food deficit shifted to four months over the intervention period (2015-2019), translating into less need for urgent, costly humanitarian interventions to cover food gaps.

# MALAWI

## INTEGRATED RISK MANAGEMENT IN MALAWI

WFP Malawi has been implementing a comprehensive set of integrated interventions to enhance households and community's resilience to increasing shocks. WFP Malawi developed a comprehensive integration strategy—with FFA as the cornerstone of the Integrated Climate Risk Management (ICRM) approach. FFA was thus linked with climate services, climate risk management (including microinsurance), VSLs and SAMS through post-harvest technologies. Complementary activities included Water, Sanitation and Hygiene (WASH) and nutrition-sensitive programming, including the promotion of kitchen gardens and Social and Behavior Change Communication (SBCC) on key issues such as gender, HIV/AIDS, WASH and COVID-19. This, as part of a holistic package to increase overall resilience.

*“I have received 43,200 MK (USD 53) which I have used to buy maize, beans, eggs but also tomato seeds which I will plant in my garden.”*

Khadija, ICRM beneficiary.



### RISK REDUCTION

Asset creation serves as the foundation for WFP's integrated resilience programming. When layered with complementary activities (integrated risk management, market access, among others), participants are more likely to build back better when faced with shocks.

Through asset creation, WFP increased agricultural productivity by supporting 104,000 households in eight districts with land resource management, irrigation, crop and livestock production and/or reforestation, among other interventions. In 2021, out of 104,000 targeted households, only about 35,000 households (159,000 people) received cash assistance for asset creation while the remaining 68,000 households (308,000 people) received technical assistance for asset creation without cash assistance. An average of 90 percent of participants reported that asset creation improved their natural environment and enhanced their protection from climate-related disasters.

As part of the climate services activities, together with the Government, WFP scaled up Participatory Integrated Climate Services for Agriculture (PICSA). PICSA conducted analysis of historical climate information and then used participatory tools to develop and choose crop, livestock and livelihood options, best suited to the different beneficiary groups. Furthermore, through PICSA, WFP was able to reach over 15,000 farmers in the eight targeted districts with climate information.



### RISK TRANSFER

For the 2020/2021 season, farmers were insured through either weather index or area yield index insurance. Area yield index insurance protects farmers against a wide range of risks affecting yields, including droughts, pests and diseases. After drought and pests destroyed crops during the 2020/2021 growing season, 65,000 farming households received a payout totalling US\$ 1.8 million. Moving forward, WFP will shift to an exclusively area yield index insurance modality for the 2021/2022 season and will continue to work with NICO insurance and Pula to develop mechanisms for early detection of risks to reduce the delay between crop-cuts, report approval and pay-out disbursement to beneficiaries.



### RISK RETENTION AND PRUDENT RISK TAKING

Along with an improvement in the proportion of participants accessing loans through VSLs, an improvement in the repayment rate of loans taken was also noted. Surveys conducted in September found that outstanding loans for both men and women stood at 23 percent, having decreased from 31 for men and 28 percent for women registered in 2019.


Members indicated that participating in VSLs allowed for better coping from shocks and stressors through access to credit and savings. In addition, the proportion of households taking loans for food consumption reduced from 72 percent (2019) to 61 percent (2021). In total, over 42,000 participants engaged in financial inclusion initiatives promoted by WFP, saving a total of US\$ 312,000 and accessing loans worth US\$ 200,000.

In the second half of 2021, WFP started a mapping exercise of micro-finance institutions and their products in preparation for 2022, when WFP will focus on establishing linkages between strong VSL groups and micro-finance institutions. This will enable groups to have access to larger loan and credit products to start business and income-generating activities.





Khadija insured her crop against climate shock and received a payout as a compensation for her failed harvest in 2021. WFP/Badre Bahaji


# MOZAMBIQUE


 With financial support from GCF, KOICA, Flanders, USAID


## Microinsurance and ICRM


 **12,000** people covered with microinsurance


 **2,400** households insured

 **US\$ 35,000** of insurance premium

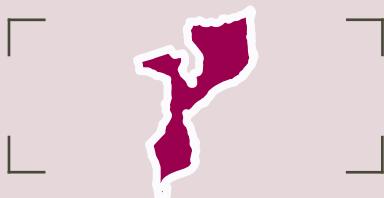
 **US\$ 264,000** of sum insured

 **8,900** participants engaged in financial inclusion initiatives promoted by WFP

 **US\$ 16,500** of savings made by participants of financial inclusion initiatives promoted by WFP

 **US\$ 35,300** of loans accessed by participants of financial inclusion initiatives promoted by WFP

## COUNTRY CONTEXT



In 2021, Mozambique was affected by three types of hazards: COVID-19, with the country experiencing three intense waves in January, April and September; security issues in the northern provinces of Cabo Delgado and Niassa perpetrated by terrorist insurgents, as well as in the central part of the country, with the military Junta exercising some sporadic attacks on peoples; and some climatic shocks including the occurrence of Tropical Cyclone Eloise in January, and several regions of the country being affected by irregular rainfall. The occurrence of the above conditions has negatively impacted the agricultural output and compromised the food security of several households in the affected areas.

## CLIMATE RISK FINANCING AND INSURANCE IN MOZAMBIQUE

WFP Mozambique is implementing an integrated climate risk management approach, modelled around the R4 Rural Resilience Initiative, that encompasses four strategies: risk reduction through conservation agriculture; risk retention through promotion of village savings and loans groups; risk transfer through microinsurance; prudent risk taking, by promoting livelihoods diversification, access to markets, and easier access to formal credit; and access to climate information services. The initiative is now being implemented in three districts, with ongoing plans to expand it to a further three districts.

Under the risk transfer activities, WFP Mozambique has been supporting farming households in 28 communities in three districts of Tete and Gaza province to access Weather Index Insurance (WII). The aim is to build participants' capacity to adapt and absorb climate and other shocks, supporting farmers to increase their production and productivity, in order to transition them away from total reliance on WFP-supported food grants and making them more self-reliant.

In addition to microinsurance, as part of the country's climate and disaster risk financing approach, WFP Mozambique has been supporting the Government on drought early warning, including working on a drought forecast-based financing approach which involves the design and implementation of anticipatory actions to mitigate the impacts of drought, as well as engaging with the Government on sovereign insurance products.

## 2021 PROGRESS

Insurance is offered to beneficiaries on the condition that they apply conservation agriculture. The main challenge in 2021 was explaining to farmers how insurance works and its specificities. Most farmers initially thought that insurance would compensate them for the failed crops and not necessarily for lack of rain. Basis risk - the mismatch between an individual insured's loss experience and the index payouts - was also another challenge, since rainfall was dispersed and followed by very intense consecutive dry days, which caused the crops to fail despite the rains being more than enough.

To address this challenges, effective consumer education was the solution. Beneficiaries of the programme had to undergo sessions of adequate financial and insurance education to improve their understanding and articulation of the insurance parameters.

The key lesson learnt this year was the importance of financial literacy and constant communication with rural households for the effective implementation of financial and insurance programs. This can also contribute to the scale up of insurance to farmers outside the programme, as well as for the sustainability of the insurance solution in the long term.

## 2021 KEY ACHIEVEMENTS



Four partnerships established in Tete and Gaza for programme implementation, monitoring and reporting and partnership with the local insurance company established.



After two years of assistance, the percentage of households with acceptable food consumption increased from 44 percent to 69 percent in Gaza and from 40 percent to 55 percent in Tete province.



54,800 people provided with direct access to information on climate and weather risks through face-to-face communication channels including radio programmes.



A total of 2,403 farming households (79 percent women) registered for WII for the 2020/2021 agricultural season in Changara, Chokwé and Chibuto districts.



*R4 female farmer holding an insurance poster in Chibuto, Gaza, Mozambique.*


WFP/ Mozambique Country Office





# ZAMBIA


 With financial support from SDC, GCF


## Microinsurance and ICRM


 **1 million** people covered with microinsurance

 **166,000** households insured


 **US\$ 5.8 million** of insurance premium


 **US\$ 117.6 million** of sum insured

 **US\$ 1.3 million** of payouts triggered, benefitting **95,000** people

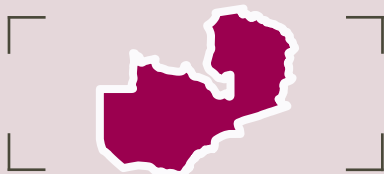
 **18,000** people benefitted from assets and climate adaptation practices facilitated by WFP's Risk Management activities

 **50,000** participants engaged in financial inclusion initiatives promoted by WFP, of which **55 percent** are women.

 **US\$ 1.4 million** of savings made by participants of financial inclusion initiatives promoted by WFP

 **US\$ 1 million** of loans accessed by participants of financial inclusion

## COUNTRY CONTEXT



Ranked 146 out of 189 countries on the recent Human Development Index (HDI), Zambia continues to face multifaceted development challenges. Although the country attained lower-middle-income status a decade ago, living conditions have remained poor, with over 54 percent of its 17.8 million people living below the national poverty line. Zambia has been increasingly experiencing extreme weather events such as floods and droughts, which coupled with the impacts of the COVID-19 pandemic, have exacerbated the country's macroeconomic vulnerabilities. In the last four seasons, Zambia recorded above normal and, in some instances, below normal rainfall which resulted into flooding and dry spells, with the Southern and Western Provinces being the worse hit.

## CLIMATE RISK FINANCING AND INSURANCE IN ZAMBIA

WFP Zambia has been promoting access to index insurance to smallholder farmers as part of an integrated climate risk management approach since 2014. To support the strengthening of national capacities and systems for climate risk financing and insurance, WFP has been increasingly providing technical assistance to the Government, supporting the design of an improved index insurance product provided under the Farmer Input Support Programme (FISP) -the Government's agriculture input subsidy programme. WFP has also facilitated the creation of an Inter-ministerial Technical Working Group to strengthen the capacity for index insurance design and monitoring.

### 2021 PROGRESS

In 2021, Zambia's Ministry of Agriculture (MoA), the International Fund for Agricultural Development (IFAD) and WFP, with support of the International Research Institute for Climate and Society (IRI) and financial partners Mayfair, Zep Re and ACRE, collaborated to improve the design of the index insurance product distributed under the Zambia's Farmer Input Support Programme (FISP) which insured over one million smallholder farmers across the country during the 2021/22 season.


To ensure the product took into consideration smallholder farmers' needs and accurately reflected local risks and vulnerabilities, WFP and IRI supported the MoA to collect focus group data from almost 1,000 agricultural camps across the country. This data was then used by the inter-ministerial technical working group to refine the index, using interactive tools developed by IRI. WFP has also been working with Smart Zambia Institute to improve the digital payment platform to facilitate insurance payouts distribution under the FISP. In addition, WFP has developed training manuals and radio messages on Weather Index Insurance (WII) in seven local languages to sensitize and encourage farmers to insure against climate risks.


Recognizing that smallholder farmers may also suffer from livestock losses during shocks, WFP collaborated with the Ministry of Fisheries and Livestock (MFL) and IFAD to launch livestock index insurance, expected to reach an estimated 600,000 livestock farmers across the country. Furthermore, WFP supported the development of new microinsurance products, such as the funeral and hospital cashback for smallholders.


Key challenges and lessons learned include:


- The successful use of media messages on agricultural index insurance in local language has proved to be key in promoting uptake of insurance, but more resources and support are needed to increase farmers' awareness across the whole country.
- Developing uniform distribution pathways has been a challenge, affecting the timeliness of the national scale up. Consequently, WFP is working with the MoA to identify agro-dealers that will support insurance distribution across the country.

### 2021 KEY ACHIEVEMENTS

 16,083 smallholder farmers were reached with climate information, through community managed automated weather stations.

 Average land cultivated under Conservation Agriculture (CA) increased from 0.4 to 1.4 hectares.

 WFP is working with private agricultural companies (Pula Advisors, ZEP-RE, MTN and Mayfair Insurance) to improve the design and management of private insurance schemes, including the development of a phone app to allow farmers to voluntarily pay their insurance premiums and receive payouts.

 83 percent of households accessed financial services in 2021. Outcome monitoring findings show an increase in households' income because of improved production and marketable surplus. In addition, 95 percent of households accessed credit for productive purposes.

# ZAMBIA

## INTEGRATED RISK MANAGEMENT IN ZAMBIA

Since 2014, WFP Zambia has been implementing an integrated climate risk management approach under the R4 Rural Resilience Initiative (R4) Southern Africa Programme, with support from the Swiss Agency for Development and Cooperation's (SDC) Regional Office for Southern Africa, the Korea International Cooperation Agency (KOICA) and the Green Climate Fund (GCF). The approach aims to improve the food security and resilience of vulnerable households against climate and other shocks through an integrated set of interventions, including: the promotion of Conservation Agriculture (CA) practices, tailored weather and climate information services for better farming practices, access to index insurance, savings and credit, Post-Harvest Loss Management (PHL) techniques to minimize post-harvest losses and access to markets.



### RISK REDUCTION

To enhance farmers' production and productivity and build resilience against climatic shocks, WFP Zambia promotes the adoption of Conservation Agriculture (CA) practices in collaboration with the Ministry of Agriculture (MoA), among other partners. In 2021, over 18,000 farmers (49 percent women) applied CA practices and crop diversification on 24,630 hectares of land. Regular monthly Farmers Clubs meetings were held during the year to foster learning and sharing of best practices.

WFP Zambia also promotes farmers' access to tailored weather and climate information services to allow farmers to make informed decision in a context of increased climate variability and change. In 2021, 78 government extension staff and 194 rain gauge minders were trained on climate information services. In addition, eight rain gauges were installed in two new districts, two seasonal forecasts were produced, and weather information was translated into four major local languages and shared among farmers to inform their agricultural decisions.



### RISK TRANSFER

In 2021, WFP provided technical assistance to the Government to improve the design and management of the insurance product provided under the FISP. WFP supported the national awareness training on Weather Index Insurance (WII) to the MoA, with 136 MoA provincial and district level staff (19 percent women) being trained and expected to cascade their training and knowledge to an additional 2,071 agricultural extension staff. Agricultural extension officers are critical to sensitizing smallholder farmers on the benefits of the insurance scheme, providing technical support and serving as an essential feedback link between the farmers and the insurance providers.

Furthermore, WFP supported the development of new microinsurance products. Notably, in collaboration with Mayfair, WFP has extended its partnership to Sanlam Insurance to bundle a hospital cashback plan that is meant to address issues around farmers productivity during times of sickness. This product will lead to the commercialization of the social fund under the savings group as an add-on product to the weather index product.

Additionally, WFP supported the Government to design and roll out a new livestock insurance scheme, under the leadership of the Zambia Ministry of Fisheries and Livestock (MFL), in collaboration with IFAD, Pula Advisors and a consortium of four insurance companies. The scheme protects livestock farmers from the risk of drought, fire, delayed rainfall and widespread destruction of grasslands by pests and diseases.



### RISK RETENTION AND PRUDENT RISK TAKING

As part of the risk retention component, farmers participated in Village Savings and Loans (VSL) groups. Throughout the year, farmers received trainings on financial literacy, record keeping, entrepreneurship, leadership and governance.



To strengthen farmers' informal savings activities and to promote access to formal financial institutions, WFP Zambia has strengthened linkages between savings and credit and supported the introduction of digital financial services through partners such as Vision Fund (VFZ), Zambia National Commercial Bank (Zanaco), and Madison Finance company Limited (MFinance) that offer digital financial services such as digital savings wallets and mobile banking services. In 2021, 3,024 farmers accessed input credit from savings groups and 6,078 accessed credit through formal financial services.




*Shiela Moomba, a Smallholder farmer and a member of Chabota Savings Group in Monze, Southern Zambia. She has used her savings to take herself back to school.*

WFP/Paul Mboshya

# ZIMBABWE

 With financial support from GCF, SDC, KfW


## Macroinsurance


 **197,200** people covered with macroinsurance


 **US\$ 1.5 million** of insurance premium

 **US\$ 7.8 million** of sum insured


## Microinsurance and ICRM


 **24,300** people covered with microinsurance\*


 **4,800** households insured

 **US\$ 73,000** of insurance premium

 **US\$ 487,000** of sum insured

 **50,000** people benefitted from assets and climate adaptation practices facilitated by WFP's Risk Management activities

 **34,000** participants engaged in financial inclusion initiatives promoted by WFP, of which **80 percent** are women

 **US\$ 130,000** of savings made by participants of financial inclusion

 **US\$ 167,000** of loans accessed by participants of financial inclusion initiatives promoted by WFP

## COUNTRY CONTEXT



Zimbabwe is a land-locked, lower-middle income, food-deficit country. Over the last decade, Zimbabwe experienced several economic and environmental shocks that contributed to high food insecurity and malnutrition. At least 16 percent of its population live in extreme poverty, with 5.3 million people across rural and urban areas estimated to be food insecure –many impacted by the effects of climate change, protracted economic instability and COVID-19. Drought is the most significant climate-related risk, with its frequent occurrence having negatively impacted livelihoods and food security across the country.

## CLIMATE RISK FINANCING AND INSURANCE IN ZIMBABWE

WFP Zimbabwe has been implementing a set of climate risk financing tools, including Forecast-based-Financing, microinsurance and macroinsurance. Anticipatory actions are implemented building on existing WFP programmes, such as Lean Season Assistance (LSA) and Food Assistance for Assets (FFA) programmes. Setting up a system for anticipatory action enables filling the gap between long term disaster risk reduction interventions and humanitarian relief efforts. Microinsurance is implemented as part of an integrated climate risk management approach. Microinsurance payouts, when triggered, enable households participating in FFA to cope with shocks, with payouts being used to purchase food, cover basic needs and for livelihoods investments. Macroinsurance is implemented as part of the ARC Replica programme. WFP Zimbabwe purchased its first ARC Replica policy for the 2019/20 season, becoming the first ever country in Southern Africa region to test the tool in collaboration with the Government of Republic of Zimbabwe and the African Risk Capacity (ARC). When triggered, macroinsurance payouts are implemented as per pre-agreed operational plan and given the nature of the pre-identified activities -unconditional transfers and input distributions- they are implemented in collaboration with the LSA and resilience building programmes.

## 2021 PROGRESS

Under the microinsurance work, based on farmer feedback, two prototype options that covered excess rainfall and rainfall deficits were developed and presented to the farmers in Masvingo and Rushinga districts by Blue Marble -WFP's technical service provider, supporting with product design. Out of these two options, farmers selected the option with higher payouts, although this option was slightly more expensive. In addition, insurance awareness and registration activities targeting 6,000 households were carried out. During the same period, the contract with the insurance company was revised. The main change was the addition of the data protection clause as a result of the integration of microinsurance into WFP's beneficiary and transfer management platform SCOPE.

Key lessons include the need for more engagement between the insurance company and farmers to enhance farmers' understanding of the product and the need to have well defined roles and processes to guide premium collection and documentation.

Under ARC Replica, the customisation of the Africa Risk View (ARV) model was conducted following a training workshop on the process. In addition, the operational plan was revised, and the government endorsed it, enabling WFP to buy the policy for the 2021/2022 season. The main challenge witnessed during the period under review was that all technical working group meetings were conducted virtually because of the COVID-19 restrictions that limited physical gatherings. This affected the participation of some members due to connectivity and data challenges.

## 2021 KEY ACHIEVEMENTS



WFP Zimbabwe commissioned a study to define the sustainability strategy for the integrated resilience building approach. Following this, the insurance company Old Mutual and technical service provider Blue Marble are working on developing a sustainability and scale up strategy for climate risk insurance in Zimbabwe.



ARC operational plan revised to align implementation timelines for contingency plan enactment, needs assessment, targeting, intervention and monitoring with those of the Government and the Start Network, a co-Replica partner that joined operations in Zimbabwe in 2021.



WFP and the Start Network held joint meetings with the SDC and the Ministry of Finance and Economic Development where issues of collaboration, support on the development of the disaster risk financing strategy and capacity strengthening of government agencies and ministries were discussed.



Despite the macroeconomic and COVID-19 related challenges affecting savings groups activities, the proportion of participants who are saving increased from 24 percent to 67 percent between 2018 and 2021.

\* Figures refer to the number of farming households and people covered with insurance for the 2021/22 season, with insurance premium to be paid in 2022.



# ZIMBABWE

## INTEGRATED RISK MANAGEMENT IN ZIMBABWE

WFP Zimbabwe aims to enhance the adaptive capacity of populations most at risk of the impacts of climate change through integrated resilience-building that brings together improved natural resources management -through Food-Assistance for Assets (FFA)- access to weather index insurance, improved agricultural (crop and livestock) production, and access to savings, credit and markets. Trainings in social cohesion and conflict resolution are also conducted to enhance resilience outcomes. In addition, anticipatory action and climate services are also implemented as part of a comprehensive resilience package.



Farmers in a 'mother trial' field in Mwenezi, Zimbabwe.

CIMMYT/ Christian Thierfelder



### RISK REDUCTION

To improve production, WFP through the International Maize and Wheat Improvement Center (CIMMYT) continued promoting improved drought-tolerant and nutritious seeds in combination with mechanized conservation agriculture. Farmers in Masvingo, Mwenezi and Rushinga planted more than 100 ha with improved varieties in the 2020/2021 season. Trained service providers equipped with two-wheel tractors, planters, trailers and shellers which they obtained from the programme through a lease to own basis have been offering farmers services (e.g., planting, transportation and shelling) for a fee and use the returns to pay back the loan. Seed fairs were organized by CIMMYT at the start of the season to promote access to stress tolerant and nutritious seed varieties and a total of 1,624 tons of certified seeds were sold directly to farmers in Masvingo. In Mwenezi, where livelihoods are more dependent on livestock production, a chicken and goat pass-on scheme to improve breed and productivity is underway complimented with trainings in improved livestock management practices and management and maintenance of community assets such as dams and dip tanks that support livestock production.



### RISK TRANSFER

The microinsurance product for the 2021/22 season was jointly developed by Blue Marble, Old Mutual and WFP in consultation with farmers and other key stakeholders. The major improvement in the design for this season was the addition of rainfall excess cover, which farmers recommended during feedback meetings. Although this design resulted in an increase in the premium, farmers expressed interest in purchasing the product. Awareness raising activities were jointly conducted with Old Mutual and FFA partners in preparation for the 2021/22 season. A total of 4,913 farmers registered for the product. In 2021, microinsurance was also incorporated into SCOPE with support from WFP Zimbabwe ICT team.

Delays in contract signing between WFP and Old Mutual and in the verification of farmer information led to delays for premium payment. In addition, the restrictions imposed to contain the spread of the COVID-19 pandemic affected micro and macroinsurance activities, particularly activities that required physical gatherings, including registrations, awareness campaigns, and technical working group meetings.



### RISK RETENTION AND PRUDENT RISK TAKING

663 out of 905 Village Savings and Loans (VSL) groups were monitored across the 12 wards in Masvingo and Rushinga districts in 2021. Savings for the current cycle amounted to US\$130,005 and the value of loans was US\$167,797 accessed by 5,714 members (70 percent women). A total of 20 Cluster Facilitators (60 percent women) were trained on Selection, Planning and Management (SPM) of Income Generating Activities (IGAs) to promote the establishment of IGAs by the project participants in Rushinga district. 655 project participants (88 percent women) were trained on SPM of IGAs. The Netherlands Development Organization (SNV), supporting WFP with the implementation of the savings component, initiated the Group Maturity Index (GMI) Exercise across the eight wards of Masvingo district to assess groups readiness to register as cooperatives. Beneficiaries are also accessing loans from Zimbabwe



### MARKET ACCESS

SNV facilitated the formation of 449 Producer and Marketing Groups (PMGs) in poultry, sorghum, and horticulture value chains with a total membership of 7,223 (80 percent women). Market linkage was also facilitated between farmers and EASI Seeds to multiply cowpeas seed produce pasture resulting in the engagement of 437 (77 percent women) farmers through contractual arrangements in Masvingo and Mwenezi district and 100 farmers (36 percent women) to produce groundnut seed. Market price updates were disseminated through SMS platform in addition to market facilitators disseminating the information to those not having cellphones. Promotion of post-harvest handling and storage technologies also continued. Promoted technologies include solar driers, metal silos, improved granaries, grain protectants as well as the use of hermetic bags.



# STORIES FROM THE FIELD

## Yield of dreams: How farmers in Madagascar are defying drought with WFP climate insurance

by Alice Rahmoun, Jenny Wilson, Peyvand Khorsandi

When the beans fail, it's a warning sign – beans are the most resilient among the crops Odile grows. They can make it through the scorching heat in the village of Anjahamahavelo, in southern Madagascar's Anosy region.

The farmer, a mother of four, cultivates onion, sweet potato, and corn too – when the corn harvest fails an insurance payout is triggered as part of a scheme launched by WFP last year. This provides a critical lifeline for Odile amid the drought that is crippling the region.

Beans are easier to plant off-season. "They produce quickly," she says. "They are planted in April, watered three or four times and they produce a harvest."

The last rains were in April. For the past two years, the water that planting and harvests depend on has not arrived in October, putting the futures of children including Odile's in question.

Hers is a sad story and an all too common one across the island nation off the southern coast of Africa, which is struggling with extreme weather – 1.1 million people are suffering from hunger, with nearly 14,000 people in "famine-like conditions" – a figure expected to double by the end of the year.

In the south of Madagascar, many people are subsistence farmers who've lost their livelihoods as well as their only source of food due to erratic weather.

*This section reports excerpts of an article published in November 2021. Click [here](#) to read the full story.*



*With less than US\$200 from a WFP-backed microinsurance programme, Odile has gained access to a field where she can grow potatoes and other crops.*  
WFP/Alice Rahmoun

The World Food Programme (WFP) urgently needs funds to enable its critical emergency response work while empowering more and more people like her.

Customers who used to stop and eat at her hotely, or restaurant, can no longer afford to. Now, "they stock up and leave," she says. "They don't spend money". There is, however, some good news. After the drought dried up Odile's corn harvests, she received money from a payout through a microinsurance scheme supported by WFP, the Malagasy Government and private partners. So while crops may dry up, hope doesn't.



## ***Extreme weather dries up crops but not hope for smallholder farmers assisted by World Food Programme microinsurance schemes***

Most people who received the insurance payouts this year spent it on food – Odile is among the one percent who used it to rent land.

Ploughing into her savings, she supplemented the US\$100 she received to do precisely that, grow more beans and corn.

Being a member of a savings-and-loans cooperative gives her access to a water pump that members use to irrigate their fields – drawing water from wells such as the one on her land.

Next season, WFP will pay only part of the premium, with Odile contributing the remaining amount. Eventually, she should be in a position to pay for the whole amount herself.

Savings-and-loans cooperatives are the bedrock of WFP's microinsurance schemes – they must have been running for at least a year to qualify for WFP support. The strength of savings groups lies in how members advise each other, and build relationships based on trust.

“The system relies more on social pressure than bureaucratic rules and structure,” says Frederica Andriamanantena, Climate and Insurance Officer for WFP in Madagascar.

Frederica says that because of the group “rules and solidarity and the way members helped each other, they somehow survived the drought”.

The challenge of infrastructure, such as roads and public transportation, remains, however.



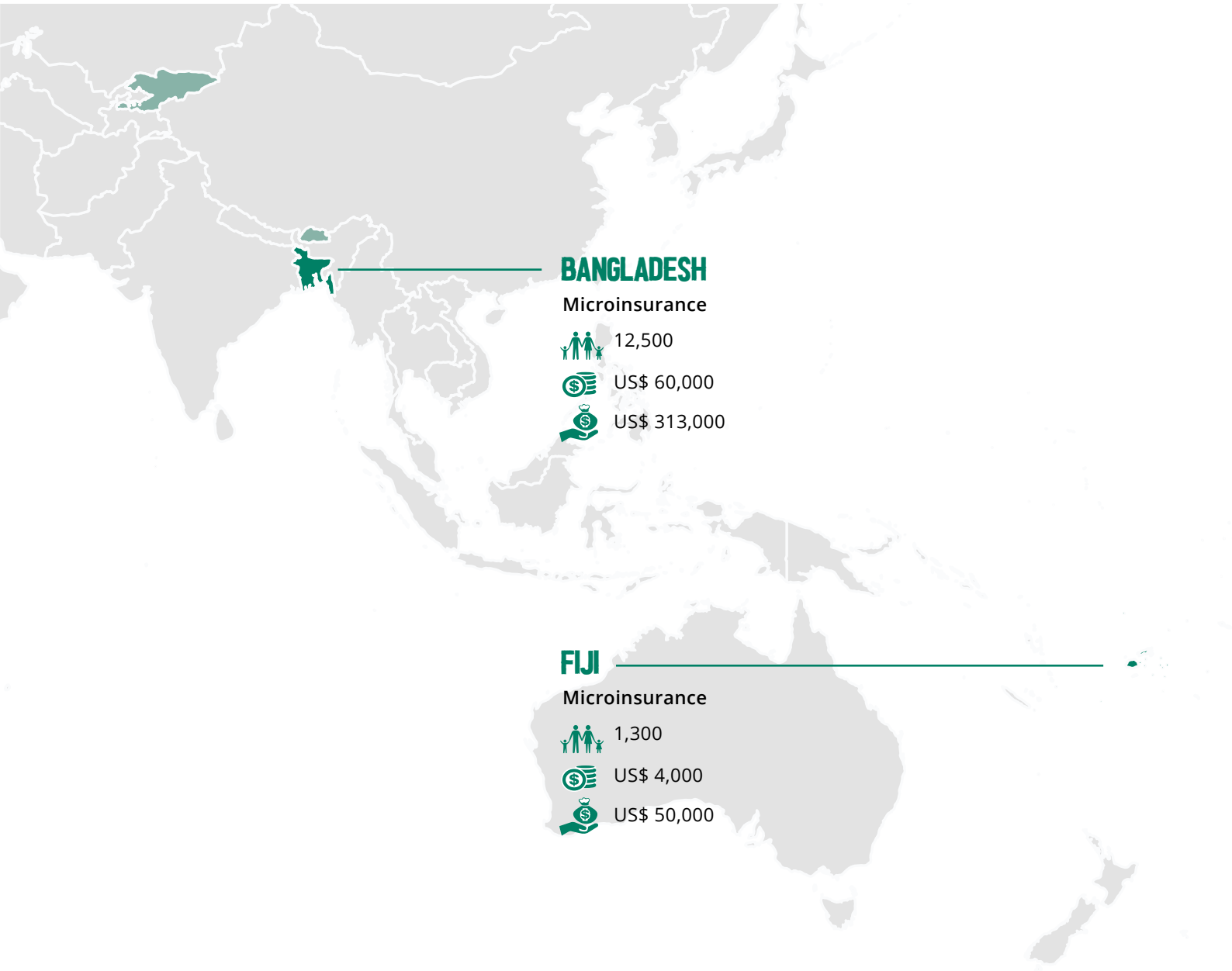
*WFP aims to empower farmers like Odile to grow more crops, better and fulfil dreams such as sending their children to university. WFP/Alice Rahmoun*

“We wanted to target 3,500 people for the first year. But they are located in remote areas... the savings groups came as the potential solution to that. Everything would be organized within the group and the representative would be in touch with the insurance company and its partners to access the microinsurance product.”

Had WFP not intervened, Odile would likely have continued planting on her old land, hoping for the best — it's a similar story across the country. WFP needs multi-year funding to scale-up climate risk management in Madagascar so more people like Odile could be protected from future climate extremes.



# ASIA



## LEGEND



Number of people insured



Number of people benefitting from insurance payouts




US\$ value of premiums




US\$ value of payouts disbursed in 2021




US\$ value of sum insured


 Current countries


 Expansion countries


# BANGLADESH


 With financial support from KOICA


## Microinsurance and ICRM

 **12,500** people covered with microinsurance

 **2,500** households insured

 **US\$ 60,000** of insurance premium

 **US\$ 313,000** of sum insured

 **10,000** people benefitted from assets and climate adaptation practices facilitated by WFP's Risk Management Activities

## COUNTRY CONTEXT



Kurigram district is a disaster-prone area located in the extreme Northwest of Bangladesh. It is the floodplain of the rivers Jamuna and Teesta. Community people living in this district are among the poorest. The district is vulnerable to riverbank erosion, flooding, erratic rainfall, and extreme weather events, like cold-spells, heat wave and unseasonal rain. WFP is working with local and international partners to design and implement innovative insurance solutions that aim to protect the marginalized and smallholder farmers in Kurigram district from crop losses resulting from climate variability and change, such as unforeseeable variances in temperature and precipitation.

“During flood my husband was jobless, we were surrounded by water. We were in a precarious situation with our poultry. It seemed that our house would break anytime. At that time, we have received BDT 2700 Tk as a compensation from pay out of flood insurance. We used this money to buy rice, puffed rice and pulses. We also bought a goat with BDT 700. From that goat, we have now 4 goats whose market price is around BDT 11400.”

**Ms Sufia Begum**  
insurance beneficiary

## CLIMATE RISK FINANCING AND INSURANCE IN BANGLADESH

WFP Bangladesh implements a Resilience Innovation Programme that aims to improve the food security of Bangladesh's flood affected households. The Programme has three components: microinsurance for smallholder farmers and vulnerable households to transfer the risk of climate shocks to the insurance market through weather index and flood index insurance; Anticipatory actions triggered by weather forecasts to mitigate the impact of imminent floods; and Seasonal Livelihoods Planning that aims to enhance understanding of the relationship between seasonality and household economics. In addition, farmers engage in risk reduction activities as their contribution to the insurance premium.

## 2021 PROGRESS

In 2021, WFP Bangladesh worked with partners to revise and fine-tune a flood index insurance product that had been initially piloted in 2020. The product was developed for the Jatrapur and Raniganj unions of Kurigram District and aims to support agricultural labourers to overcome the financial loss caused by catastrophic flood events. Triggers were set up based on the analysis of 19 years of historical flood data and in consultation with local stakeholders and communities. A total of 2,000 labourers were insured in 2021, with WFP paying 100 percent of the insurance premium.

A Weather Index Insurance (WII) product was also developed in 2021, following a comprehensive data collection exercise, involving local communities and stakeholders. A total of 17 Focus Group Discussions (FGDs) were conducted to identify high-value crops, seasonality, perils, stages of crop cycles, as well as smallholder farmers' affordability and willingness to pay for insurance. Following the FGD findings and analysis of 39 years of satellite data, a WII product was developed for winter crops such as wheat and maize.

A total of 46 backyard meetings were conducted with 805 farmers (68 percent women) to raise their awareness about insurance as an important risk management tool to protect their crops, its specificities and how to access it. After understanding all terms and conditions, 507 farmers (75 percent women) subscribed to the insurance policy. For this product, farmers paid 60 percent of their premium, while WFP paid the remaining 40 percent. A local event was organized to launch and introduce the WII product to local stakeholders.

Key challenges and lessons learned include:

- Climate Risk Insurance is quite a new concept for all the stakeholders, especially for low-income households. A considerable amount of time and resources is required to familiarize them with it.
- In many cases, farmers are very interested to buy the insurance product, but they do not have enough money to buy it. In such a case, alternative mechanisms or products should be developed which are suitable and affordable for low-income households.
- The required data for developing insurance products is difficult to obtain. Besides, farmers have very little knowledge on the weather parameters which is quite essential for understanding WII and how the product works.

## 2021 KEY ACHIEVEMENTS



Established collaboration and partnership with the Financial Institution Division, Ministry of Finance, Ministry of Disaster Management and Relief, Sadharan Bima corporation, and GreenDelta Insurance Ltd.



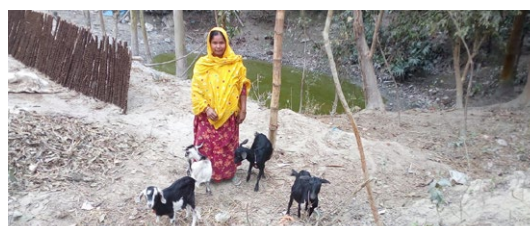
65 local level stakeholders received trainings on crop insurance.



2,000 households engaged in risk reduction activities, including tree planting, repairing houses, and plinth raising to protect themselves from the floods.




12,500 people directly received climate information.





Insurance beneficiary Sufia Begum and her goats.  
WFP/Md. Zaidul Hoque


# FIJI

 *With financial support from Governments of Australia, India, New Zealand and Luxembourg*

## Microinsurance and ICRM

 **1,300** people covered with microinsurance

 **267** households insured

 **US\$ 4,000** of insurance premium

 **US\$ 50,000** of sum insured

## COUNTRY CONTEXT



Fiji is a country that is at substantial risk of tropical cyclones and floods. These can lead to average estimated losses of more than F\$ 500 million per year (approximately US\$ 240 million), which represents five percent of the country's GDP. Past cyclones have caused long-term threats to human life, livelihoods, health, agriculture, and the country's economy. Looking into the future, as these natural hazards intensify due to climate change, most models are suggesting an increase in high-intensity storms and higher storm surge losses. By 2050, it is estimated that 32,400 people will be pushed into poverty on average per year. This bleak outlook was further exacerbated by the COVID-19 pandemic, especially the second wave in April 2021. Fiji is highly dependent on imported foods, with important diet quality/diversity and food consumption challenges, in addition to the triple burden of malnutrition – undernourishment, micronutrient deficiencies and overweight and obesity of the population.

## CLIMATE RISK FINANCING AND INSURANCE IN FIJI

While Fiji has developed its national Disaster Risk Management plans, it does not have an integrated Climate Disaster Risk Financing strategy to better manage the financial losses that follow a disaster. The continuous losses and adverse impacts of these disasters have led the country to partner with organisations, such as the United Nations, to look for ways to better access and accelerate the use of risk financing solutions especially for the most vulnerable. The Fiji Ministry of Women, Children and Poverty Alleviation, with support from WFP and the UN Capital Development Fund (UNCDF), launched in 2021 the first parametric microinsurance pilot for select social welfare recipients found in high-risk locations. The pilot was developed under the Pacific Insurance and Climate Adaptation Programme (PICAP), jointly administered by the UNCDF, the UN Development Programme (UNDP) and the UN University Institute for Environment and Human Security (UNU-EHS), which aims to improve the financial preparedness and resilience of Pacific governments and communities against increasing climatic risks through the development of innovative and inclusive Climate Disaster Risk Financing and Insurance (CDRFI) instruments.

## 2021 PROGRESS

The parametric insurance project is considered a one-of-a-kind in the Pacific, involving the Fiji government department of Social Welfare (DSW), UNCDF, WFP, and the private sector. Its aim is to increase the resilience of vulnerable people across the country, protecting them financially from cyclonic storm-heavy wind and its effects.

The product was launched at the end of 2021 and is currently being tested with 267 social welfare beneficiaries. Insurance compensations are based on the triggering of the threshold (a certain wind speed being reached) that is expected to result in loss to the person insured. For the pilot project, WFP covered the premium costs on behalf of the Department of Social Welfare.

One of the big challenges faced this year involved data structure. Gaps in information considering the detailed needs to set up the project and the geo-spatial analysis to ensure compliance with the project objectives and model proved difficult to obtain.

To scale up and replicate the experience, as the Government has shown interest owing to the guarantee of a better, dignified and adequate response to the people affected, WFP Fiji will closely monitor and evaluate the pilot, with a particular focus on the impact of payouts following an extreme weather event to see how they can improve the resilience of vulnerable people. In addition, WFP Fiji is working on protocols and analysis of the information verified to propose and develop a system which will allow to improve the quality of information collected at the time of registration as well as set up a digitalized data base.

## 2021 KEY ACHIEVEMENTS



The initiative was set up in five months, with a coordination effort without precedents.



DSW data management unit was key in obtaining information from the field with specific targets and locations, to ensure accuracy on the model.



The sharing of information from the ministry of Women, the verification process with the beneficiaries and the validation using geo-spatial analysis were key to ensure the availability of certificates and data before the cyclone season.



*Fiji has extremely high exposure to tropical cyclones.*  
WFP/Francesca Ciardi





# STORIES FROM THE FIELD

## How flood insurance empowers people facing extreme weather in Bangladesh

by Manib E Eram

When her husband goes off to find work every morning, Afroza completes all her household chores and tends to her ducks and goat. Her husband is a carpenter and does not have a steady income. Since a daily wage of 200 Bangladeshi takas (less than US\$2.5) is not enough to sustain a family of four, the couple sometimes work as sharecroppers, cultivating land owned by a farmer who receives a share of the yield.

They live in Chilmari, a char in Kurigram. Chars are areas of land, newly formed by river deposits, that are home to an estimated 5 million people in Bangladesh. This population is among the most vulnerable groups in the country of 160 million, suffering constant floods, erosion and the unpredictability of living in such a precarious setting.

"If I had money I would not live here," says Afroza. "I would move to the mainland with my family." Since most chars are islands, families like Afroza's feel isolated given the lack access to essentials such as nutritious food, healthcare, education and sanitation.

Located within the Brahmaputra delta, the people who live in the Chilmari upazila, or administrative region, of Kurigram district are more than familiar with the destructive potential of floods that damage houses and destroy crops during the monsoon every year.

*This section reports excerpts of an article published in March 2021. Click [here](#) to read the full story.*



*Afroza wants both her children to finish school.*  
WFP/Sayed Asif Mahmud

However, changing weather trends due to the climate crisis are bringing heavier, unpredictable rainfall. When this combines with flows from melting glaciers in the Himalayas, upstream, unprecedented floods result, lasting for longer periods. People cannot just put their lives on hold until the waters recede.

Afroza struggles to provide food and proper education for her children when the small area of land where they live is underwater. "There is no work during the floods," she says. "My kids want to eat many things that I cannot afford."

## ***With each season drier than the last, families in Afroza Begum protects her family with an innovative product facilitated by the World Food Programme and its partners***

"I am willing to contribute to an insurance premium," says Afroza, "because the payout I get will be useful for me in the future."

### **How it works**

The overall goal of the climate-risk insurance initiative is to enhance the ability of households in flood-affected areas to deal with climate shocks, while improving their ability to reduce and manage threats to their food security.

The scheme is based on the analysis of satellite data collected over 19 years, backed by the latest water level and rainfall data.

This is WFP's first programme supporting the design and distribution of index-based flood insurance product. WFP and its partners will incorporate the lessons learned to provide enhanced protection from future monsoon floods.

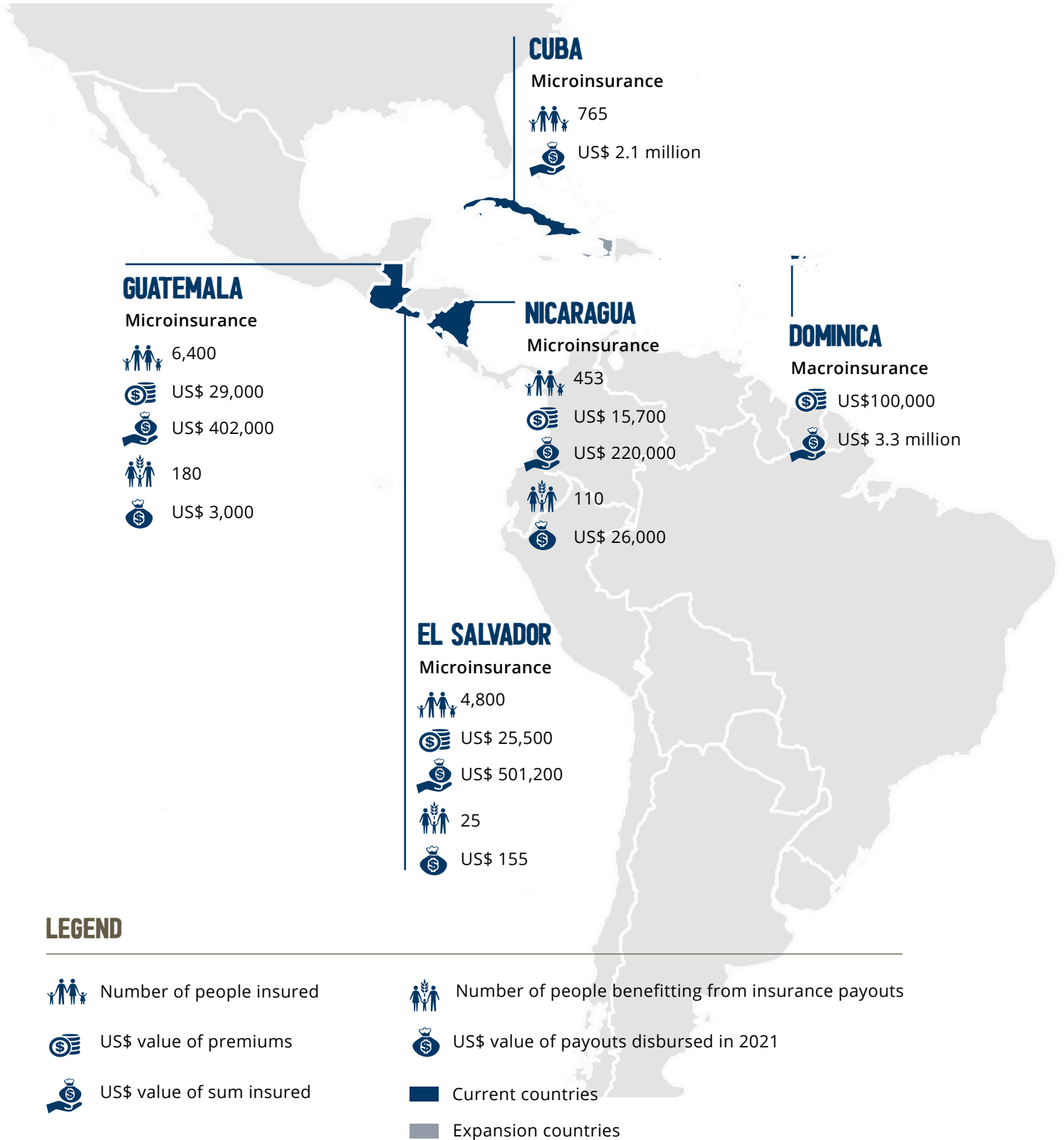
The pilot is timely. During the 2020 monsoons season, Bangladesh experienced the largest and longest flooding event in 20 years. This triggered a payout that provided each enrolled household with US\$ 32.



*Afroza and her children look towards a brighter future.*  
WFP/Sayed Asif Mahmud

Green Delta Insurance transferred the payout through their mobile money platform, so char residents like Afroza and her family were able to overcome their losses from the floods — they were able to buy food and rebuild their homes. However, the challenges of their lives in the chars are far from over. They will continue to struggle through this new year as they have in past years. But now, Afroza has a plan that will one day ensure a better, brighter future for her children.

# LAC






# CUBA

 With financial support from WFP 2030 Fund, KOICA, and the Russian Federation

## Microinsurance and ICRM

 765 people covered with microinsurance

 US\$ 86,000 of sum insured

## COUNTRY CONTEXT



Cuba is a tropical island country that is extremely vulnerable to the impacts of the climate crisis, including rising sea level, increase in temperature and decreasing rainfall. The country's water sector is particularly vulnerable to climate variability, with rainwater representing the country's only water source. Food security and nutrition are high priorities for the Cuban Government, as outlined in the 2030 National Plan for Economic and Social Development. Nonetheless, the country still faces major food security and nutrition challenges. In addition, Cuba was highly affected by the socio-economic impacts of the COVID-19 pandemic, which negatively affected the country's economy, food security and poverty situation.

## CLIMATE RISK FINANCING AND INSURANCE IN CUBA

WFP Cuba currently works on reducing agricultural vulnerabilities due to climate change through an integrated approach that works with disaster risk reduction, area yield index insurance (AYII), crop monitoring, and early warning systems (EWS). Particularly, WFP Cuba is fostering innovation on three fronts: i.) promoting the concept of preventative insurance, which aims to incentivize the adoption of risk reduction activities to guide the insurance pricing by the level of vulnerability of farmers; ii.) parametric insurance through AYII which can offer coverage against a host of risks affecting the entire area, including pests and diseases; iii.) and promoting actions to strengthen the country's EWS for drought, including through the development of a crop monitoring and yield assessment system.

## 2021 PROGRESS

In 2021, WFP Cuba has been working with the National Insurance Company (ESEN) and the technical service provider Pula Advisors to develop an AYII prototype for the regions of Guantánamo and Las Tunas. Cuba currently does not have a parametric insurance product registered in the market, with the AYII presenting a unique opportunity and innovation for the country's insurance sector.

This product will protect farmers against low yields due to drought, pests, diseases and other risks. The yield will be measured through crop sampling at the end of the season to determine value loss. The product will be rolled out in May/June 2022 in areas where farmers have a low adoption rate and low trust for insurance, hoping the innovative solution will increase farmers' uptake of insurance. Around 2,000 farming households will benefit from this solution.

In 2021, crop cutting exercises were conducted in selected farms that produce beans and maize. These exercises allowed the insurance to be designed within the context in which it will be implemented. Due to movements restrictions associated with the COVID-19 pandemic, staff members from agricultural centres were trained remotely to support Pula Advisors and ESEN in placing the boxes and conducting the crop cut exercises. Because of the distinctive Cuban context, innovative design elements for the insurance product are currently being explored among the partners.

In addition, 765 people were covered under the traditional insurance product promoted by ESEN in 2021, for a total sum insured of over US\$ 86,000.

## 2021 KEY ACHIEVEMENTS



Currently in local partnerships with ESEN, Agricultural Meteorology Centre of the Cuban Institute of Meteorology, and the Ministry of Agriculture.



WFP Cuba is working to strengthen the country's EWS for drought and improving effective communication flows to ensure farmers and local stakeholders receive timely information.



Remote training given to staff members in order to support Pula Advisors and ESEN with the crop cuts exercises.



Working with local experts to define the risk reduction activities that will be part of the resilience strengthening programme.





Placement of boxes for the crop cut exercises in Cuba. Cuba/Yordanka Fonseca

# DOMINICA

 With financial support from WFP 2030 Fund

## Macroinsurance

 **US\$ 100,000** of insurance premium

 **US\$ 3,300,000** of sum insured

## COUNTRY CONTEXT



The Government of the Commonwealth of Dominica is a small island country in the eastern Caribbean. The island is highly exposed to natural hazards, primarily tropical storms and hurricanes, but also floods, volcanic activities and landslides, among other shocks. Due to its location within the hurricane belt, Dominica has been repeatedly impacted by hurricanes and storms. The COVID-19 pandemic has significantly impacted the economy of Dominica. Due to an increase in the number of cases, the government implemented lockdowns and movement restrictions in an attempt to reduce the spread of the virus, which impacted the livelihoods of many people, resulting in some falling into poverty or becoming further impoverished.

## CLIMATE RISK FINANCING AND INSURANCE IN DOMINICA

In Dominica, WFP is piloting approaches to strengthen linkages between climate risk financing and social protection. This can help social protection systems to become more shock-responsive and ensure more rapid and targeted responses for vulnerable populations in the event of tropical cyclones.

### 2021 PROGRESS

In 2021, WFP has engaged with the Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC), the world's first regional fund utilizing parametric insurance, giving governments in the Caribbean the unique opportunity to purchase earthquake, hurricane and excess rainfall catastrophe coverage.

In partnership with the Government of the Commonwealth of Dominica, WFP is contributing a total of US\$ 300,000 over a two-year period, as premium support to top-up the CCRIF SPC Tropical Cyclone Policy for the 2021/22 and 2022/23 policy years. In 2021, WFP already contributed US\$ 100,000 for the 2021/22 Atlantic Hurricane Season.

Once the policy is triggered following a tropical cyclone event, a portion of the payout will be allocated for cash assistance to be disbursed to impacted populations through national social protection programmes. WFP's contribution allows for a portion of the CCRIF SPC payout to be linked to cash assistance to support affected populations after a shock. If triggered, nearly 20,000 people would benefit from insurance payouts.

In exchange for WFP's additional premium support, the Government of the Commonwealth of Dominica has committed to further strengthening its social protection systems through investments in policy and legislation, information and data management, targeting, delivery mechanisms, coordination and financing.

Currently, WFP is conducting research on options for linking insurance products and other risk finance instruments with social protection systems for Dominica and Saint Lucia, which will be published by March 2022.

Key challenges and lessons learned include:

- CCRIF SPC payouts traditionally do not carry any stipulation on how governments should use the funds. In this context, partnerships with the buy-in of ministries of finance are critical to ensuring the success of the project and guaranteeing that the promise of cash assistance to affected persons following a disaster is honoured. This has been a challenge that has required significant advocacy, including strategic partnership with the World Bank to influence the Ministry of Finance as to the importance of this investment.
- Planned advocacy initiatives were hindered with the COVID-19 pandemic and the inability to convene stakeholders across sectors.
- The insurance policy is not owned by WFP but by the Government of Dominica and, as a result, WFP is reliant on the support of the government to advance this initiative.
- There is a need to have frequent meetings between government stakeholders, particularly the ministries for social protection and finance to ensure that a cross sectoral approach is adopted to support the project.

### 2021 KEY ACHIEVEMENTS



WFP has adopted a strong advocacy strategy that has led to the establishment of the pilot. This has included presentations to the Ministry of Finance, CCRIF SPC, World Bank and key donors.





Agreement signed between WFP and the Government of the Commonwealth of Dominica for WFP to provide premium support in the amount of US\$ 300,000 to top up the existing CCRIF SPC Tropical Cyclone Policy for the 2021 and 2022 Atlantic Hurricane Seasons.


# EL SALVADOR

 With financial support from WFP 2030 Fund


## Microinsurance and ICRM

 **4,800** people covered with microinsurance

 **960** households insured

 **US\$ 25,000** of insurance premium

 **US\$ 500,000** of sum insured

 **US\$ 155** of payouts triggered, benefitting **25** people

## COUNTRY CONTEXT



El Salvador is Central America's smallest and most densely populated country. Deforestation and land degradation have adversely impacted the country's agricultural areas, increasing its vulnerability to climate variability and change. Like other countries in Central America, El Salvador is exposed to various extreme hazards and suffers from recurrent droughts, flooding and landslides. The compounded impacts of the COVID-19 pandemic and the recent climate-related shocks that affected Central America – including tropical storms Amanda and Cristóbal, and Hurricanes Eta and Iota – have negatively impacted El Salvador, leading to significant loss of income, increased food insecurity, reduced access to basic services and increased use of negative coping strategies.

*“I never imagined that I was going to be able to insure my productive activity. I feel very happy now because I have my policy,,*

**Marlene Najera**  
entrepreneur from Ciudad Mujer

## CLIMATE RISK FINANCING AND INSURANCE IN EL SALVADOR

WFP El Salvador's strategy aims to integrate insurance into the country's resilience building and market access programmes as a key tool to protect livelihoods and investments, promote increased agricultural productivity and foster resilience. In 2021, WFP El Salvador launched an innovative insurance pilot protecting 964 farmers and micro-entrepreneurs (47 percent women) from climate-related risks.

## 2021 PROGRESS

To ensure access to microinsurance to the most vulnerable - for whom affordable and conventional insurance products do not exist or are not accessible- WFP worked with the local cooperative insurer Seguros Futuro to tailor an existing weather-index microinsurance product to remove its credit component and focused on enabling access to more diverse beneficiary profiles. This included targeting women running micro-enterprises and small businesses that are part of the Ciudad Mujer programme - a project that aims to guarantee the fundamental rights of Salvadoran women- as well enabling access to insurance for 12 micro-enterprises run by visually impaired people with 60 visually impaired employees.

Adapting the consumer protection and educational material to the specific target segment was key in raising awareness and interest of insurance. One example has been the work with visually impaired people working in the massage industry in urban areas. The impact of drought was not initially identified as a major risk by participants, however when asked to recall experiences of how a large-scale drought had impacted surrounding communities and the local economy, this had a run-on negative impact for their businesses and household incomes.

Moreover, WFP was supported by the El Salvador Red Cross in adapting the consumer protection materials to meet their specific needs. This included a description of the insurance policy through audio messages transferred by WhatsApp, organizing games with boards and cards in Braille, and arranging suitable facilities to enable delivery of training sessions. This approach ensured that visually impaired people had appropriate awareness and understanding of the insurance product.

For 2022, WFP El Salvador is working on a scale-up strategy plan to make sure the programme is sustainable over time. Furthermore, WFP El Salvador is working on developing an insurance-linked remittances mechanism and improving digitalization efforts. Remittances are particularly relevant in the context of El Salvador, being an essential source of income and risk management strategy. Moreover, these solutions are essential for the sustainability of the insurance scheme.

## 2021 KEY ACHIEVEMENTS



Established partnership with local insurance company Seguros Futuro, El Salvador Red Cross and Ciudad Mujer programme to roll out the insurance pilot.



964 participants took part in microfinance and microinsurance trainings and were capacitated on the insurance product.



60 visually impaired persons benefited from the microinsurance solution.








*Insurance beneficiary*  
**Marlene Najera.**  
WFP El Salvador/Suri Esquivel



# GUATEMALA

With financial support from Government of Canada and WFP 2030 Fund

## Microinsurance and ICRM

-  **6,400** people covered with microinsurance
-  **1,200** households insured
-  **US\$ 30,000** of insurance premium
-  **US\$ 400,000** of sum insured
-  **US\$ 3,000** of payouts triggered, benefitting **180** people

## COUNTRY CONTEXT



Guatemala is prone to natural hazards and is one of the countries in Central America that is most affected by climate variability and climate change. Increasing frequency and intensity of droughts, as well as excessive rains, severe flooding and landslides have led to chronic food insecurity in recent years, with the COVID-19 crisis exacerbating the situation. Pervasive poverty, high rates of stunting and socioeconomic and political inequality threaten people's food security, with many of the most vulnerable being women, children, rural and indigenous groups.

“I used the payout to buy a little pig, as an investment and not to lose my money. So, when this pig grows, I can sell it and buy another one. Some people bought fertilizers or composts to improve their crops and it also going to help them.”

**Herlinda Caal Tzi**  
beneficiary of the insurance product

## CLIMATE RISK FINANCING AND INSURANCE IN GUATEMALA

WFP Guatemala designed its own Climate Risk Finance Strategy to improve the portfolio of risk-management tools offered to the most vulnerable in the country. This strategy encourages complementarity between different tools such as savings, credit, insurance, and forecast-based financing, while also considering different levels from the micro (smallholder) to macro (governmental) approaches. All these elements are embedded into broader resilience-building interventions that aim to improve the food security and nutrition of the most vulnerable populations in several departments of the Guatemalan Dry Corridor.

## 2021 PROGRESS

Risk financing and financial inclusion is a key component of WFP Guatemala resilience-building programmes. This aims to minimize the financial impact of extreme weather events and help vulnerable households avoid behaviors that will expose them to even bigger challenges to their livelihoods and food security in the future. As part of this work, in 2021, WFP Guatemala piloted a parametric insurance product, covering 1,292 smallholder farmers and entrepreneurs (69 percent women) against business interruption due to drought or excess rain.

2021 was the first year of the pilot project, during which WFP covered the insurance premium for participating cooperatives. From next year onwards, the premiums will be partially paid by cooperative members according to a smart subsidy strategy.

To ensure adequate understanding and awareness of the solution, all beneficiaries received comprehensive training in financial risk management, including insurance and other financial instruments. Following drought conditions, over US\$3,000 in insurance payouts were triggered, benefitting 180 people. The payout enabled participants to invest in their productive activities, including buying fertilizers or compost to improve their maize crops, as well as for savings within the village saving groups.

The product was designed to be scaled up at the national level, ensuring government engagement and private sector adoption from the beginning, and considering all demand and supply factors. WFP Guatemala has been investing in evidence generating and the scale-up for 2022. Together with other institutions like the German Agency for International Cooperation (GIZ), the International Fund for Agricultural Development (IFAD), local governments, and other pre-identified actors, the product has the potential to be scaled up and piloted with 10,000 smallholder farmers and entrepreneurs in 2022.

In addition, over 2,500 participants took part in village savings and loans activities in 2021, saving over US\$ 140,000 and over 10,000 families benefited from asset creation activities.

## 2021 KEY ACHIEVEMENTS



Partnerships established with local organizations and governments to scale-up the approach



Scale-up and smart subsidy strategy developed



38 percent of participants are expected to pay for their insurance premium in 2022.



1,400 participants trained on insurance and financial risk management





Insurance beneficiary Herlinda Caal Tzi. WFP/Alejandra Samayoa


# NICARAGUA


 With financial support from European Union

## Microinsurance and ICRM

 400 people covered with microinsurance

 US\$ 16,000 of insurance premium

 US\$ 220,000 of sum insured

 US\$ 26,000 of payouts triggered, benefitting 110 people

## COUNTRY CONTEXT



Nicaragua has significant disparities between urban and rural areas: 70 percent of the country's poor households live in rural areas. A lower-middle income and food-deficit country, Nicaragua is located in a hotspot for natural hazards and climate change impacts. Low incomes, the predominance of informal employment, economic and social fragility, systemic gender inequalities and extreme weather continue to impede progress in addressing poverty and food insecurity.

*“I feel very privileged that they have taken us into account for the insurance, because this is something one thinks that would never be eligible or have access to”*

**Marta**  
microinsurance beneficiary

## CLIMATE RISK FINANCING AND INSURANCE IN NICARAGUA

As part of the country's resilience building activities, WFP Nicaragua introduced a microinsurance pilot targeting smallholder farmers, members of farming cooperatives, to build their capacity to cope with increasing climate-related shocks. The pilot is financed by the European Union as part of the programme “Promoting Food and Nutritional Security through Economic Resilience”, implemented by WFP. Farmers also participate in risk reduction activities as their contribution to the insurance premium, including engaging on soil and water conservation activities, among others.

## 2021 PROGRESS

In 2021, WFP Nicaragua launched a traditional agricultural insurance pilot for smallholder farmers of basic grains and vegetables from nine cooperatives. The insurance product covers losses caused by weather events, including strong winds, floods, humidity, drought, hail, as well as biological risks like crop diseases and pests, among others. Under this pilot, WFP has been working with 20 smallholder farmer organizations in the north of the country to improve the production of basic grains and their access to new markets, with over 400 farmers being insured in 2021, covering nearly 2,200 people. Following lack of rainfall, over US\$ 26,000 in insurance payouts were triggered, allowing participants to protect their productive investments and meet their households' needs.

To build farmers' adaptive capacity and reduce their exposure to climate-related risks, the selected cooperatives provided agricultural insurance participants with technical assistance and support to implement environmental protection activities, such as soil and water conservation works and reforestation activities.

Lessons and evidence from the pilot are being gathered to ensure continued investments, allowing the solution to be sustainably scaled and replicated in the future, while guiding the next steps towards the offering of innovative and inclusive products in the country. For 2022, Nicaragua will insure around 1,000 farmers, covering around 5,000 people with microinsurance. A smart subsidy and scale-up plan is also being developed to guarantee the sustainability of the programme as well as inclusion of other key stakeholders. Farmers will also have the option to pay a portion of the insurance premium through contributing their time in asset creation activities.

## 2021 KEY ACHIEVEMENTS



More than 400 smallholder farmers, 49 percent of which women, accessed microinsurance policies and over 100 received a payout due to drought.



Participating cooperatives and 114 farmers received trainings and capacity building activities to raise their awareness and knowledge on insurance and its specificities.



Around 242 farmers engaged in soil and water conservation activities.



*Insurance beneficiary Marta.*  
WFP/Sabrina Quezada



# STORIES FROM THE FIELD

## Cooperating to succeed: How smallholder farmers and cooperatives in Nicaragua are accessing agricultural insurance with the support of WFP and the European Union

by Leticia Gonçalves, Sabrina Quezada, Sonia Herrera, and Eliseo Araúz

Nicaragua's high exposure to extreme climatic events and its low adaptive capacity, during a time of worsening socioeconomic conditions, disrupts the livelihoods of the country's most vulnerable people and their access to nutritious food, increasing the risk of food insecurity. As a result, approximately 300,000 people are living with insufficient food consumption and 1.4 million people are applying crisis-level or above crisis-level food coping strategies, including reducing the number of meals eaten in a day and the size of food portions.<sup>1</sup> The situation is particularly acute in the Dry Corridor, a geographical area exposed to prolonged drought and one of the regions with the highest prevalence of food insecurity, where 60 percent of municipalities face extreme poverty.

In 2021, WFP Nicaragua launched a traditional agricultural insurance pilot with over 400 smallholder farmers (49 percent women) from nine cooperatives, growing basic grains and vegetables. To reduce farmers' exposure to increasing climate-related risks, the selected cooperatives provided insurance participants with technical assistance and support to carry out environmental protection tasks, including soil and water conservation works, among others. As for the insurance product, farmers are protected against losses resulting from weather-related events, such as strong winds, floods, humidity, drought, hail, as well as biological risks like crop diseases and pests. The pilot is financed by the European Union as part of the programme "Promoting Food and Nutritional Security through Economic Resilience", implemented by WFP.



*Yadira received US\$213 from a WFP-supported agricultural insurance programme and was able to pay back the credit with her cooperative, allowing her to continue producing her beans. WFP/Sabrina Quezada*

Yadira is 23 years old and lives with her husband (31 years old) and daughter (9 years old) in Nueva Segovia, Nicaragua. The region has been affected by increased climate variability and change, resulting in higher frequency and intensity of droughts, floods, as well as increased water scarcity. Overall poverty affects 44.4 percent of the population.<sup>2</sup> Yadira is a member of the Cooperative Nuevo Horizonte, where she participates in the Economic Empowerment Group. She has been producing beans with her father and family since she was very young, and with the cooperative for the past three years. Currently, she produces one *manzana* (1.7 acres) of beans for the *postrera* season (the second growing season), together with her husband.

1. [WFP Hunger Map](#)

2. [INIDE, 2014](#)



## ***The erratic weather gives no respite to basic grains' farmers in Nicaragua, but they have a way to mitigate the loss of their crops***

Yadira participates in workshops and technical sessions with the Empowerment Group and values the opportunity to work with the cooperative. "If you are not organized you will never get anywhere", she says. Yadira was part of the members of the cooperative selected to participate in the pilot project promoted by WFP and supported by the European Union. As her municipality was severely affected by drought in 2021, Yadira received a payout of US\$ 213. With the money received, she paid back the cooperative for the credit used to buy inputs and pay the field workers. According to her, if it was not for the insurance cover, she would have remained in debt with the cooperative. She had a total loss of her harvest and could not save anything from the damaged crops.

Don Luis Enrique Quezada is the president of the Nuevo Horizonte Cooperative, in Nueva Segovia. He has been the link between the cooperative, the farmers, the local insurance company INISER and WFP. In a council meeting, it was discussed and decided who would be the farmers participating in the pilot, as the premium of USD\$ 54 per *manzana* was going to be fully subsidized for the first year. Taking into consideration a gender-sensitive approach, participants decided that most of the selected farmers should be women. In total, 30 smallholder farmers were selected, including 16 women and 14 men. In his view, the women farmers have demonstrated great capacity to conduct their productive activities, which were also a pre-requisite for the selection process. "We wanted to take advantage of the pilot so that female farmers felt encouraged to remain within the economic empowerment group, and also as part of the farmers of the cooperative."



*Don Enrique is the president of the Cooperative Nuevo Horizonte in Nueva Segovia. He believes the insurance pilot is key for them, as cooperatives and farmers, to understand and know more about insurance and its processes.*

Photo: WFP/Sabrina Quezada

Don Enrique said that after their area was severely affected by drought, he contacted the insurance company in the capital Managua, and after three days their technical team arrived to visit the fields, together with the cooperative team and himself. In 10 days, the insurance company finalized the claims settlement process, and the cooperative received the total payout. This was distributed among the 16 farmers that suffered total loss, and one farmer with a partial payout. To him, the premium is affordable for the smallholder farmers. "We are considering that one *manzana* of beans (which is what we have piloted for this season) is able to produce 15 to 20 *quintales* (one *quintal* = 100 kg). The value of the premium (US\$ 54) means that we are going to invest one quintal and 50 pounds to pay for the insurance. When we made the payouts, the women said they were very happy to be able to have the insurance." He went on to say that thanks to the European Union and WFP, they were able to learn about insurance, how it works and its processes. "We believe that farmers can afford it. And with this pilot experience we know how to do it as a cooperative and as farmers".

*This section reports excerpts of an article published in March 2021. Click [here](#) to read the full story.*



*Odile, microinsurance beneficiary in Anjahamahavelo*

WFP/Alice Rahmoun

# Findings and Lessons

Evidence on the impact, effectiveness, relevance, coherence, and sustainability of climate risk insurance solutions is a growing request from the international community. There is a particular interest in how these tools can contribute to building the resilience of vulnerable people against increasing climate-related shocks and how they can be sustainably expanded and replicated.

WFP has invested in establishing a robust monitoring, evaluation and learning (MEL) system to measure the performance, gather lessons, generate evidence, inform adaptive programming, ensure accountability, and assess the impact and effectiveness of its climate risk insurance programmes. The system includes a comprehensive set of assessments to track the level of implementation and access to different services over time (i.e., insurance, savings and loans) through output monitoring exercises;

assess the quality of these tools and measure their effects -in integration with other services- on vulnerable people's incomes, food security and livelihoods, considering how these instruments, together with other activities, are contributing to building the resilience of communities vulnerable to climate shocks and stresses.

The internal MEL system is complemented by and informs externally led analyses, reviews, learning exercises and evaluations of WFP-supported climate insurance programmes. WFP places particular focus on the learning element to both improve its activities over time as well as inform its strategy to manage climate risks with the appropriate combination of risk financing tools that support vulnerable households before, during and after climate hazards. Below are the main findings and lessons learned from WFP's MEL exercises conducted in 2021.

## Evidence from WFP-supported microinsurance programmes


### Microinsurance as shock-responsive financial protection

In 2021, several payouts were triggered following climate-related shocks in countries with WFP-supported microinsurance programmes. Surveys conducted after the disbursement of payouts in Burkina Faso, Kenya and Madagascar showed that insurance compensation was mainly used to purchase food, agricultural inputs and to pay for education-related expenses. Insurance effectively contributed to reduce the effects of failed harvests by covering food needs, ensuring access to basic services, and protecting livelihoods.

In **Burkina Faso**, 407 farmers were affected by dry spells and received an insurance payout of US\$15. The top three payouts priority expenditures were food, education and health. Utilizing the payouts for these purposes has the potential to limit the degradation of households' food security after a failed growing season and limits the adoption of negative coping strategies, such as selling assets. In addition, a small percentage of households surveyed<sup>6</sup> (20 percent) saved part of the payout. Among the insurance benefits cited by respondents were 'peace of mind' and reduced suffering related to crop failure, with households knowing they are protected against failed harvests through insurance payouts.










**Figure 1.** Insurance payout figures in Madagascar, Burkina Faso and Kenya

COUNTRY	TOTAL PAYOUTS DISBURSED	NUMBER OF PEOPLE
MADAGASCAR	US\$ 350,000	17,500
BURKINA FASO	US\$ 6,000	407
KENYA	US\$ 96,486	5,545

 **100%** of participants in Kenya received payouts through the mobile money transfer service M-Pesa

In **Kenya**, following drought conditions during the 2020 short rains season (October-December), over 5,000 people benefited from insurance payouts averaging US\$17. 82 percent of households mentioned having spent their payout on food, 49 percent on school fees and related costs, and 27 percent on agricultural inputs. All payouts were distributed through mobile money, with all respondents indicating M-Pesa as the preferred mode to receive the payout.

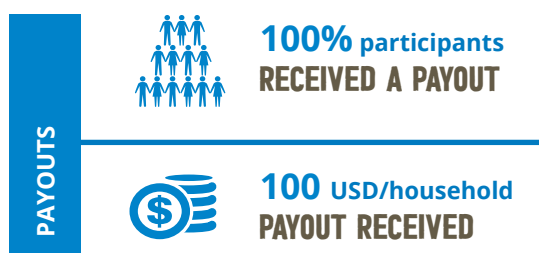
**Figure 2.** Top three payouts priority expenditures in Burkina Faso, Kenya and Madagascar

	BURKINA FASO	KENYA	MADAGASCAR
USE OF PAYOUTS	 <b>76%</b> participants <b>FOOD</b>	 <b>82%</b> participants <b>FOOD</b>	 <b>49%</b> participants <b>AGRI-INPUTS</b>
	 <b>36%</b> participants <b>EDUCATION</b>	 <b>49%</b> participants <b>EDUCATION</b>	 <b>19%</b> participants <b>FOOD</b>
	 <b>22%</b> participants <b>HEALTH</b>	 <b>27%</b> participants <b>AGRI-INPUTS</b>	 <b>10%</b> participants <b>LIVESTOCK INPUTS</b>

6. A simple random sampling technique was used for this survey, with a total of 189 households surveyed out of a sample of 198 households.



**Figure 3.** Payouts beneficiaries and values in Madagascar

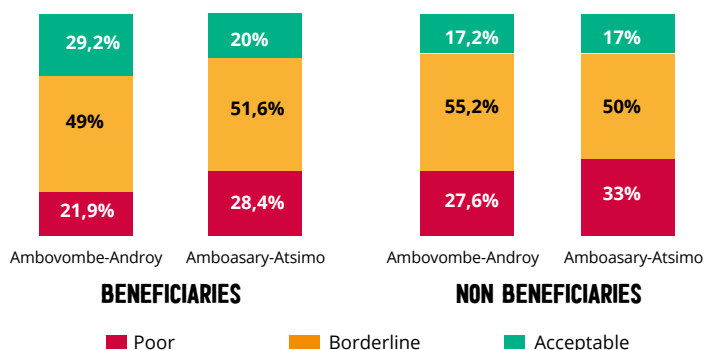


In **Madagascar**, with the southern regions of the country facing famine-like conditions following three years of consecutive drought, WFP-supported microinsurance beneficiaries received a payout of US\$ 100 each to cover the full loss of their maize harvest, after failure of the long rain season (November to April). This payout per household equates to five months of cash transfers that would typically be provided through a humanitarian response. Specific focus of the post-distribution survey was to assess the added value of a rapid response provided by the microinsurance payouts vis-à-vis the traditional emergency response usually implemented in the region. Overall, findings highlighted that microinsurance enabled participants to improve their food consumption and maintain their livelihoods through investments in agricultural production and livestock. The effects of insurance on food security are notable in comparison with beneficiaries that did not have access to this solution. In particular, the survey found that the Food Consumption Score<sup>7</sup> (FCS) of insured households was higher than for households that did not receive insurance support. This difference is more marked in Ambovombe district, where 29 percent of beneficiaries have an acceptable FCS compared to only 17 percent of non-beneficiaries, as shown in Figure 4. Also, participants are overall experiencing lower severe food insecurity (8.4 percent) than non- participants (12.6 percent).

With regards to payout expenditure, participants allocated almost half of the payout (49 percent) to strengthen households' income through the acquisition of agricultural inputs and coverage of agricultural expenses. Insurance was effective for the resumption of agricultural activities despite the poor harvest situation. The second highest payouts' expenditure was on food purchases

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

**Figure 4.** FCS for beneficiaries and non-beneficiaries

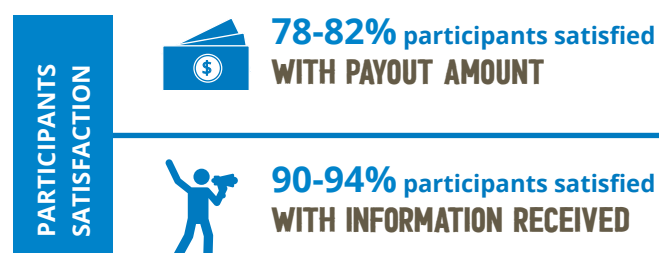


(19 percent), followed by purchase of livestock inputs (10 percent). Overall, the majority of respondents (78 percent) believe that agricultural insurance has brought about changes in their ability to manage climate-related shocks that affect harvests.

**Participants satisfied with microinsurance products**

While the level of satisfaction on the payout amount varied according to the sum received in the various countries, most respondents were satisfied with the information received during the payout process in Burkina Faso, Kenya and Madagascar. Participants' satisfaction on the timeliness of disbursement (82 percent) and ease of access (99 percent) were significantly higher in Kenya, where payouts are delivered through mobile money, nonetheless participants in the other countries showed an overall positive perception of insurance, aligned with the willingness to enroll in subsequent years even if a cash contribution is requested. In particular, 96 percent of respondents in Burkina Faso and 94 percent in Kenya expressed their willingness to enroll again in the insurance programme, with 95 percent of respondents willing to pay for insurance in the future in Kenya and 69 percent in Burkina Faso.

**Figure 5.** Range of satisfaction with the payout amount and information received in Burkina Faso, Kenya and Madagascar

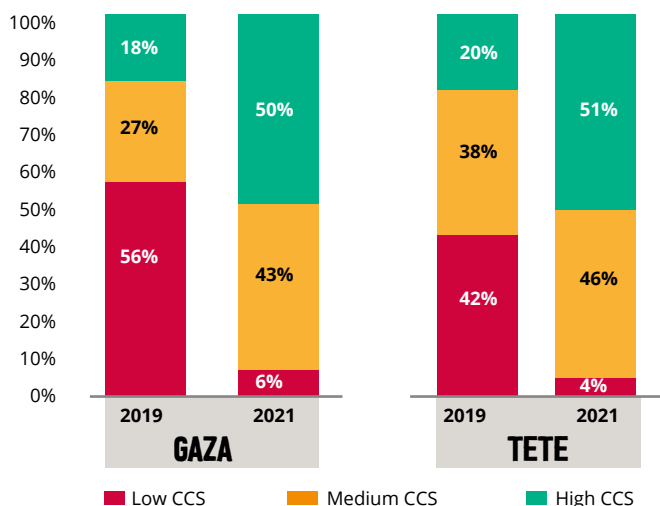


## Microinsurance and resilience of vulnerable households

When integrated with other risk management strategies such as nature-based solutions, savings, livelihoods diversification and better access to credit, microinsurance solutions contribute to protecting the food security and livelihoods of participants and the synergies created by the different components lead to increased resilience capacity of participating households. In **Mozambique**, where WFP implements an integrated climate risk management approach that combines conservation agriculture, asset creation activities, microinsurance, savings and loans, and climate information services, participants reported an improved capacity to manage climate shocks and risks – reflected by an increased Climate Capacity Score (CCS).<sup>8</sup>

Over the two years of assistance, the share of households with a high score increased in Gaza province from 18 to 50 percent and from 20 to 51 percent in Tete province. Moreover, the percentage of households with acceptable food consumption increased from 44 percent to 69 percent in Gaza and from 40 percent to 55 percent in Tete province from 2019 to 2021.

**Figure 6.** Mozambique 2019 and 2021 CCS by Province



8. The Climate Capacity Score (CCS) captures the community's ability to manage climatic shocks and risks, through the analysis of five thematic areas including: access to weather and climate information; use of climate resilient livelihoods practices; climate resilient assets protecting the community against climate-related shocks; access to risk transfer mechanisms; and access to contingency funding mechanisms.

**Figure 7.** Decision-making over payout use in Kenya



## WOMEN'S DECISION-MAKING ON THE USE OF THE INSURANCE PAYOUT

Women generally play an integral role in determining how to allocate the insurance payout received. In Kenya, 87 percent of households insured were headed by women and 43 percent of households surveyed after payouts distribution were female headed. The decision on the use of the payout was mostly done by women (51 percent) and collectively by both women and men (44 percent).

In Amhara region of **Ethiopia**, findings from the KfW-commissioned Mid Term Review (MTR) indicate a reduction in the proportion of households adopting crisis level coping strategies. In 2019, 60 percent of households were found to adopt such strategies, including decreasing their expenditure on food, agricultural inputs, animal feed, veterinary care or selling their productive assets. In 2021, this percentage decreased to 21 percent. In addition, the percentage of households reducing the amount of food consumed by adults to allow children to eat more, decreased from 53 to 38 percent in Amhara.

**Figure 8.** Evolution of indicators in Ethiopia

	2019	2021
Households adopting crisis level coping strategies	60%	21%
Households reducing the amount of food consumed	53%	38%

**Figure 8.** Percentage of households accessing credit in Zambia



Microinsurance also plays a key role in unlocking access to financial services. In **Zambia**, findings from regular outcome monitoring exercises found that access to credit has improved across the project villages. For instance, 45 percent of households in Gwembe accessed credit in 2020, compared to 27 percent registered during baseline data collection in 2018. The project facilitated access to credit mainly through its savings-credit linked products.<sup>9</sup> Increased access to credits was observed as a result of financial literacy trainings conducted within the groups. In addition, participation in savings groups is significantly higher among the participating households amounting to 70 percent of households in the project villages compared to 28 percent in the control group. In 2021, over 50,000 participants took part in Village, Savings and Loans (VSLs) groups, saving a total of US\$ 1.5 million and accessing loans worth US\$1 million.

## Evidence from WFP-supported sovereign insurance programmes

At the end of 2020, WFP requested Tetra Tech to compile lessons learnt on the implementation of ARC Replica in countries where a payout was disbursed, including Mauritania and Zimbabwe, as well as examining the benefits and added value of the ARC Replica programme when a payout was not triggered. The study also assessed the extent to which ARC Replica activities and processes were effective and contributed to the protection of livelihoods, food security, and assets for vulnerable households in the event of a drought. Some of the main findings are presented below.

<sup>9</sup> Savings-credit linked products are usually either input credit or actual cash offered to savings groups members

## Global Findings

The relationship building among ARC Replica stakeholders - including government agencies and technical partners, among others- the collaboration and capacity strengthening in parametric insurance, index customization, risk transfer parameters selection, seasonal monitoring, early planning, preparedness, and response resulting from the ARC Replica programme is highly valued among stakeholders and considered to have benefits outside of the ARC Replica mechanism. WFP's relationships with government stakeholders have been key in establishing and implementing ARC Replica in all countries and stakeholders broadly recognize WFP's vital role in building capacity in climate risk financing and insurance product design through Technical Working Groups (TWGs). ARC Replica learning exchanges and simulation exercises are also considered highly valuable to advancing country-level capacity in response planning, promoting innovative approaches to early action, and consolidating the network of actors involved in the ARC Replica programme. In addition, the predictability of finance is a broadly acknowledged benefit of ARC Replica, with the potential for payouts giving stakeholders, including government and WFP staff, an additional incentive to invest in joint planning, early warning, and preparedness before a crisis.

While WFP has demonstrated significant progress towards achieving program goals and objectives through ARC Replica, including strengthening response capacity through better coordination and contingency planning between governments and the humanitarian system and enabling more timely response capacity and pre-positioned finance in national and humanitarian systems, some challenges remain evident at a global level, including achieving early action due to institutional and operational constraints. The need to assess the extent of the drought impact and conduct geographic and household-level beneficiary targeting once a payout is triggered limits ARC Replica (and ARC) 's ability to realize its goal of early response immediately following a drought.

### Country experience

In **Mauritania**, a range of stakeholders reported that the potential for an ARC Replica payout built confidence in the contingency planning process, which had multiple positive effects on coordination, collaboration, and investment in response planning.



Additionally, variable capacity in utilizing and leading technical tools and processes -such as the Africa RiskView (ARV)<sup>10</sup> customization process and the selection of Risk Transfer Parameters (RTPs)<sup>11</sup> - also remain a challenge for institutional counterparts and stakeholders in terms of sustainability and full understanding and support to early action. Notably, despite ongoing ARV training and coaching provided by ARC and WFP, the process of selecting RTPs and customizing ARV has proved challenging and resulted in mixed expectations regarding the performance of the insurance product, the likelihood for or justification of a payout, smaller than expected payouts, and perceived basis risk.

Lastly, essential elements of the ARC Replica programme need some revision, particularly establishing a monitoring and evaluation system that measures the impact of early action, essential to draw lessons, promote the approach, and for the sustainability of the programme. This can be complemented by pro-active global outreach and communications, increased donor buy-in and coordination among the donor community.

### Findings from countries receiving insurance payouts

In 2020, WFP faced a series of challenges that impacted contingency planning for ARC Replica and delayed or disrupted implementation in both countries, including COVID-19 which exacerbated existing challenges, such as the macroeconomic crisis in Zimbabwe. Despite these challenges, ARC Replica stakeholders overall agree that the programme fosters partnership, collaboration, and joint planning, as well as the collective use of data and analysis for response planning, including vulnerability data and seasonal monitoring tools like the ARV platform, with WFP emerging as an important technical partner through

Following the failure of the 2020 growing season due to drought in **Mauritania** and **Zimbabwe**, WFP received ARC Replica payouts to assist 4,000 people with cash transfers in Mauritania, and 40,000 people with in-kind food assistance in Zimbabwe ahead of the traditional lean season response. This injection of cash and food earlier than normal helped people to maintain their assets and keep their families fed.

10. Africa RiskView (ARV) is a drought risk model & software

11. RTPs include the level of risk a country wishes to transfer and the frequency of payouts

the ARC Replica process. Some areas for improvement emerged for the programme, including: continuous focus on promoting and planning for early action through Replica; improve monitoring and evaluation processes to present the impact of ARC Replica on beneficiaries and effectiveness of implementation processes; continued capacity building support to institutional actors; and promoting best practice and efficient action through increased knowledge transfer and targeting methodologies. Moreover, pro-actively integrating ARC Replica into national disaster risk finance strategies emerged as an opportunity for the long-term sustainability of the programme.

### Findings from countries where no payouts were triggered

Despite the lack of payout or regardless of whether the country purchased a policy, ARC Replica processes were considered valuable in non-payout countries. Specifically, ARC Replica coordination and capacity building mechanisms are considered beneficial outside of the ARC Replica planning and implementation, supporting additional institutional efforts in early warning, disaster preparedness and response, and seasonal monitoring. Coordination and contingency planning through the TWGs provided organized forums for technical review, training, and information sharing. In these processes, WFP is viewed as a strong partner and collaborator and as providing meaningful and important capacity building for government stakeholders and counterparts.

On the other hand, justifying continued premium payment remains a challenge for governments in non-payout countries and poses a risk for ARC Replica sustainability. Some governments have expressed frustration on the investment of resources in ARC processes and insurance premiums without the benefit of receiving a payout when seasonal performance indicates drought. In addition, some countries expressed a need for more context-specific policy options and products. Addressing these concerns will be important to assuring future buy-in, participation, and shared value in ARC Replica processes and outcomes.

### Country experience

In **Mali**, ARC Replica has reinforced national structures' capacity and supported the Comité de Sécurité Alimentaire (CSA) and the national early warning system to improve agricultural data collection to improve ARV customization.



*Afroza is part of a vulnerable community living on newly formed land that is prone to flooding*

WFP/Sayed Asif Mahmud

# Gender and Climate Risk Insurance

With the increase of extreme weather events linked to a changing climate we witness that some categories of the population are more affected by these than others. In fact, one of the most affected groups is women and girls. Women oftentimes already live with unequal gender roles, and as communities are affected by climate change, these inequalities are intensified. At the same time, women are known to play a vital role in climate change adaptation and mitigation, and therefore build climate resilience within their families and communities, and when given equal access to resources and opportunities, flourish.

The WFP Gender Policy 2022-2026 highlights the importance of equality in resources, opportunities and an equal voice to shape the lives of all within households, communities, and societies. By supporting a people-centered approach, WFP knows that without these equalities, zero hunger cannot be achieved. The three main objectives of the new policy are equitable access

to and control over the means to achieve food security and nutrition, progress in advancing gender equality by addressing the root causes of gender inequality, and the economic empowerment of women and girls. These are all vital to fulfilling the WFP strategy of gender mainstreaming which, in turn, will lead to fulfilling the mandate of saving and changing lives.

These objectives need to be established across a wide array of activities and topics, one of which is climate change. To promote better management of climate risks, WFP is providing vulnerable communities with access to climate risk finance, with the aim of supporting climate adaptation and resilience for all, women, men, girls and boys. As women face different vulnerabilities, risks and impacts from climate change than men, one key approach for building women's resilience to a range of compounding shocks is increasing their access to comprehensive risk management strategies.

For a decade, WFP has been implementing climate risk insurance solutions as part of an integrated climate risk management approach to protect vulnerable communities and build their resilience against extreme climate events. Insurance is most effective when integrated with other risk management and risk financing tools, such as nature-based protection to restore households and communities' asset base, improve productivity and reduce disaster risk, as well as access to savings opportunities that help people absorb idiosyncratic and less extreme shocks, while providing avenues to acquire small loans to safeguard and diversify livelihoods and engage in income-generating activities.

Khadija lives in an area in Malawi that has been severely affected by drought and pests. She takes care of her land, her family income, her sick husband and her four children.

*“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,”*



WFP/Valerie Rasoahaingo



WFP/Badre Bahaji

Denise is a single mother of two children living in Southern Madagascar. The recurring droughts in the area have made her life difficult.

*“I have been saving for some time but with the agricultural insurance payout I received in June, I was able to buy the roofing sheets. I'm going to build a bigger and more solid home,”*

Through its integrated climate risk management programmes, WFP has been promoting gender equality and women's empowerment, gradually improving the situation of women and girls in rural areas by enabling them to strengthen family income and food security through access to integrated risk management strategies.

Evidence from a growing portfolio of countries shows that WFP-supported microinsurance programmes are having a positive impact on women's decision-making and financial autonomy, with women playing an integral role in determining how to allocate the insurance payouts received. As we see from surveys conducted following payouts distribution in 2021, in Kenya, the decision on the use of the payout was mostly done by women (51 percent) and collectively by both women and men (44 percent). In Madagascar, 47 percent of decisions were made by women heads of households, 15 percent by men, 32 percent collectively by men and women, and 5 percent collectively by savings group members. Evidence gathered over the years shows that insurance for food insecure households can be effectively used to manage climate risks and ensure sustainability of livelihoods. As climatic events occur, for women, and the families they take care of, this insurance acts as a safety net that they can count on to help them through the challenging times.



Maria lives in a highly risky area of Nicaragua that is threatened by droughts, floods and water scarcity. She's part of a local group participating in a programme that promotes women economic empowerment.

*“We produce what is necessary for our households. If we have a bad harvest, it means little food at home. But when we have a good harvest, we have enough food to support the needs of our households, and even help those in need.”*



WFP/Sabrina Quezada

Herlinda lives in a small community in Northern Guatemala and is the president of a local savings and loans group that WFP initiated in 2016.

*“With the trust in God and in the insurance, we are going to be able to confront whatever comes next, so we don't run out of food and we are able to provide for our families.”*



WFP/Alejandra Samayoa

By making these solutions accessible to all, from governments to smallholder farmers, it increases resilience in communities and groups that might have otherwise not been as protected. This includes, of course, women, giving them the possibility to think ahead, invest in improving their situation and not live in fear of the next extreme event or shock.

To share best practices and learnings on gender and risk finance, WFP is an active member of the Insuresilience Gender Working Group since its inception and a key contributor to the recently launched Centre of Excellence (CoE) on Gender-smart Solutions.<sup>12</sup> Since 2018, WFP has been actively contributing inputs into several publications, case studies, and guidance material including two case studies to the Centre of Excellence

12. This is an online-based repository of information and knowledge-sharing platform that aggregates resources, supports leadership and promotes best practices, research and training which is looking to address the gender-specific and intersectional needs of poor and vulnerable women, men, and children, including understanding women's additional barriers to economic participation in the context of Climate and Disaster Risk Finance and Insurance (CDRFI) framework.

on Gender-smart Solutions platform and team members from WFP's risk transfer team in the Climate and Disaster Risk Reduction programmes unit (PRO-C) have been representing WFP as panelists and speakers in a series of LIVE TALKs organized by the Insuresilience Gender Working Group from 2020 to date. WFP was also involved in reviewing and endorsing the InsuResilience Global Partnership Declaration on Gender.

Moving forward, it is important to keep in mind several key issues. Firstly, it is important to design program content and educational materials with female farmers in mind, recognizing gender gaps in each activity promoted by the project. Secondly, applying a gender lens in all programme phases. Third, increasing access to and use of quality bundled financial services for inclusive economic growth, poverty reduction and food security, and lastly collecting, analyzing, and using sex-disaggregated data and in-depth gender qualitative information can better inform gender outcomes. All of these will help WFP ensure scalable gender-responsive risk financing programmes.



*Razzia, insurance beneficiary receiving the payout in Malawi*

WFP/Badre Bahaji

## Looking Ahead

2021 has been a successful year, counting on 30 percent portfolio growth and covering over 2.7 million people with insurance solutions. However, despite these results, much work still needs to be done to ensure these solutions can be sustained and replicated at scale.

For WFP, enabling access to sustainable and scalable climate and disaster risk financing and insurance to support the resilience of the most vulnerable and food insecure people is central to fulfilling its mandate of saving lives and changing lives while ending global hunger.

To achieve sustainable and inclusive growth, in 2022 and in the upcoming years, WFP will strengthen efforts under several workstreams, namely:

- mainstreaming insurance into WFP programmes
- integrating insurance with other risk financing instruments
- scaling up microinsurance with a focus on ensuring graduation of participants and sustainability of microinsurance programmes
- investing in innovative solutions and digitization
- keep generating the evidence on the impact and effectiveness of risk financing solutions

# WE AIM TO PROTECT 4 MILLION PEOPLE WITH CLIMATE RISK INSURANCE BY 2026

## Mainstreaming insurance in WFP

Previous years' efforts to mainstream insurance into WFP programmes and operations have begun to take effect, with an increasing number of country offices implementing or expressing interest in introducing climate and disaster risk financing and insurance solutions as part of their country strategic plans. WFP's new Strategic Plan (2022-2025) highlighted the need to design integrated, risk-informed programmes which help governments, communities and households build stronger capacities, systems and institutions to manage multiple risks. This includes investing in innovative risk financing and insurance solutions as part of integrated risk management approaches.

In 2022, WFP will continue to work on exploring linkages and better integrating insurance into different WFP programmes and workstreams, including cash-based transfer, resilience, school feeding, social protection and emergency preparedness. This will contribute to strengthening integrated programming with the overall aim to increase the resilience of people and governments against compound risks.

## Integrating insurance with broader risk financing instruments

WFP will continue its efforts to integrate insurance into a broader bundle of risk financing instruments that are accessible for governments and individuals. On the community level, this will focus on better combining microinsurance solutions with village savings mechanisms to better manage different level of risks. For government systems, through ARC Replica Plus,<sup>13</sup> WFP will integrate insurance protection for less frequent, more catastrophic risks with complementary

risk financing instruments, including forecast-based anticipatory actions and contingency finance, for more frequent but lower severity hazard levels.

Moreover, WFP will work towards establishing a climate and disaster risk financing and insurance architecture for WFP, developing studies and guidance material on combining and optimizing several risk financing instruments at WFP. This will be coupled with greater collaboration with forecast-based financing, social protection, and emergency preparedness' teams to ensure greater alignment, synergies, and integration between programmes.

## Scaling up microinsurance

To reach its target of four million people covered with insurance by 2026, WFP will work towards geographically expanding and scaling up microinsurance programmes. This will be done mainly by promoting the graduation of participants so they are able to contribute fully to premium payments; and by promoting strategic partnerships so microinsurance schemes can be sustainable at the mid and long-term without close WFP intervention.

For this to happen, WFP will work towards building the financial capacity of participating households to ensure their graduation. In 2022, WFP will focus on developing guidance, trainings, and assessing beneficiaries' Willingness to Pay (WTP)<sup>14</sup> and Ability to Pay (ATP)<sup>15</sup> to ensure the sustainability of WFP-supported microinsurance products over time. Complementary to this will be the revision and/or development of valuable products that are affordable for the target population, and the development of smarter subsidy strategies that are more aligned with the WTP and ATP of beneficiaries.

<sup>13</sup> ARC Replica Plus will go beyond looking at ARC as a stand-alone instrument for financing risk. The Replica Partners will work to integrate ARC and/or ARC Replica policies into a broader, more holistic risk management approach with different layers of risk financed through different instruments or strategies.

<sup>14</sup> Willingness to Pay (WTP) means how much an individual is willing to pay for a service or product.

<sup>15</sup> Ability to Pay (ATP) is linked to the income that is available to pay for a service or product



Another area of focus will be developing stronger partnerships from the project outset to ensure proper handover and national ownership. Selecting local insurers and technical service providers that recognize the need for local capacity building and ownership will become a priority. WFP will also continue to focus on building the capacity of governments and local stakeholders, ensuring national ownership of products and systems.

## Innovation and Digitization

WFP will continue to explore innovative solutions to provide the best products and systems for its beneficiaries so their experience with financial services is positive, which is a key factor to build trust and uptake. This will include a focus on digitization, such as leveraging digital platforms for insurance registration, blockchain and smart contracts, and mobile money for insurance payouts.

Other areas of innovation will include piloting a Forecast Index Insurance (FI) product in Guatemala, leveraging WFP's extensive experience in both fields. In this case, insurance would provide a market-based approach to support scalable and sustainable implementation of anticipatory action. The insurance product will provide payouts when a particular forecast of a weather event is provided rather than when the event occurs; such payout will finance the adoption of anticipatory action.

In 2022, WFP will also work on developing an insurance-linked remittances mechanism for El Salvador and Guatemala. Remittances are particularly relevant in several countries where WFP operates. They are essential sources of income at the household level, and they also support beneficiaries to manage their risks. Insurance-linked remittances schemes aim to protect the flow and

original use of remittances when climate risks strike either in the country of the sender or the receiver. In addition, these models are essential for sustainability as they integrate another interested party to participate in the contribution of the insurance scheme.

## Evidence Generation

Finally, efforts will be intensified to collect and document lessons learned and generate evidence on the benefits of managing risks in a forward-looking and preventative manner. This will be key to support advocacy and investments by governments and the private sector to ensure the sustainability of risk financing initiatives. WFP will continue to streamline and promote the adoption of a robust MEL system throughout all projects, including new countries introducing these solutions, while continuing to foster the sharing of best practices and learnings across countries.



*Launching event on Weather Index-based Crop Insurance at the local level*  
WFP/Md. Zaidul Hoque





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Community awareness session on weather index-based insurance product



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