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Microinsurance and Social Protection

Zambia Country Case Study

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Country context: overview of social protection main programmes and climate-change exposure

Zambia has achieved significant success in putting social protection at the centre of its national policies' attention, as the National Vision 2030 recognizes the role of social protection as a key instrument to reduce poverty and extreme vulnerability and sets the goal to make the country a middle-income nation⁴. However, a combination of economic and climatic shocks, in addition to the socio-economic impacts of COVID-19 pandemic have been pushing the country back from the fulfillment of its development goals.

As of 2020, 57.8 percent of the country's population were below the national poverty line, with significant poverty level increase between 2015 and 2019 due to the impacts of climate shocks, such as occurrence of prolonged droughts in 2017 and 2018⁵. Zambia is considered as a medium-risk exposure country, ranking 25th globally in vulnerability, according to the INFORM Risk Index⁶. Importantly, smallholder farmers are responsible for up to 90 percent of the domestic supply of food⁷, which increases the relevance of policies targeted at supporting small-scale producers to grant food security in the country.

Zambia's National Social Protection Policy (NSSP) is structured in four pillars: (i) social assistance; (ii) livelihoods and empowerment programmes; (iii) social security schemes and (iv) interventions under protection to ensure adequate legal frameworks for the sector. Zambia's flagship social assistance scheme, the Social

Cash Transfer (SCT) is implemented by the Ministry of Community Development and Social Services. Introduced in 2003, SCT's major objective is to reduce extreme poverty and break the inter-generational poverty cycle. The programme has been scaled-up and is now present in all 116 districts of the country, with coverage expected to reach 1,027,000 households by the end of 2022⁸.

Importantly, an impact evaluation conducted in 2014 highlighted significant positive effects of SCT in improving beneficiaries' livelihood, including by increasing agricultural productivity and livestock ownership. Among beneficiaries, the amount of land under production increased by 36 percent, as well as their expenditures on agriculture inputs, such as seeds and fertilizers. Compared to baseline, the share of households growing maize and rice increased, which was followed by an increase of beneficiaries selling crops to the market⁹.

NSSP also refers to the Farmer Input Support Programme (FISP), Zambia's largest agricultural support programme targeted at rural areas. The programme is originally aimed at increasing farmers productivity, but food security and income generation were added as FISP goals in 2009/2010. A contribution is requested to farmers in order to register the scheme, and in NSSP the Government recognizes that the poor are underrepresented among FISP beneficiaries. As of today, the provision of risk-sharing instruments between beneficiaries and the Government is also listed among the programme's specific objectives, as per detailed below¹⁰.

Relevant linkages of microinsurance and social protection/programme features

WFP in Zambia has been working with Government authorities, especially the Ministry of Agriculture, to support smallholder farmers as part of the R4 Rural Resilience Initiative (R4) - an integrated climate risk management approach targeted at food-insecure households in risk-exposed areas.

The project started in 2014 by supporting 500 people (499 policies) in five agricultural camps of Pemba Districts and expanded to four other districts across the country (Gwembe, Mazabuka, Monze and Namwala) to enroll about 18,083 individuals by 2017. During five consecutive seasons WFP supported the provision of microinsurance under R4, which included technical assistance to government and private sector stakeholders as part of a transition process to the Government¹¹. In the 2018/2019 agricultural season, WFP supported the scheme by paying 75 percent of WII premium, increasing access to microinsurance of vulnerable producers. Once triggered in response to low rainfall during the farming season, pay-outs were provided to 7,800 families - which were majorly used for the acquisition of fertilizers, livestock feed and seeds.

In an innovative collaboration with the International Fund for Agriculture Development (IFAD) and the International Research Institute for Climate and Society from the University of Columbia, WFP has been working to increase capacities within the Ministry of Agriculture in climate risk financing and risk transferring. Partnerships have also been consolidated with private actors, especially insurance companies and mobile money wallet providers, which strengthened efforts to adapt the design of insurance packages and payout disbursements to the specific needs of smallholder farmers¹².

With the support from the Swiss Agency for Development and Cooperation (SDC), WFP has been supporting the consolidation of WII to ensure the development of sustainability plans and a scale-up strategy, following recommendations from the R4 mid-term Review.

Funds were shifted to prioritize initiatives that strengthened capacities of the government and private sector, such as training in index design and the establishment of a multi-ministerial Technical Working Group (TWG) on Weather Index Insurance. As a result of this successful collaboration, since 2017/2018 agriculture season WII has been integrated in the national social protection system and offered by the Ministry of Agriculture to rural households as a key component of FISP.

Technical support has also been provided to the Ministry of Fisheries and Livestock, and in collaboration with other actors (especially FIDA and insurance companies), WFP has been facilitating discussions on the introduction of a livestock insurance scheme aimed at reaching over 600,000 small-scale producers across the country¹³.

In a significant step to increase coverage of Weather Index Insurance, in 2021, Zambia ranked the 1st position worldwide on the number of people covered with microinsurance solutions, totaling 1 million farmers insured through FISP, out of which 95,000 received approximately USD 1.3 million in payouts in the same year¹⁴.

Yet, evidence shows that FISP needs important design-improvements to make it more adequate and inclusive for the most vulnerable small-holder farmers, which is also key to increase its potential to reduce poverty¹⁵. As of today, all FISP beneficiaries are requested to pay a fee for programme enrolment¹⁶, in addition to the criteria of being part of a Farmer Organization (which can exclude the most vulnerable smallholder producers who cannot afford for these expenses). During the 2021/2022 agriculture season, a K400 contribution is requested from rural households to enroll into FISP, out of which K100 is considered as the payment for a WII premium¹⁷.



Conclusion: opportunities for the integration of social protection and microinsurance

The introduction of innovative microinsurance projects under WFP R4 Rural Resilience Programme has supported the generation of evidence and lessons learned, which has been key for the consolidation and scale-up of nationally provided weather index insurance by the Government, especially through FISP.

By working in collaboration with the Ministry of Agriculture and the Ministry of Fisheries, as well as other UN agencies, the private insurance companies and mobile-money providers, WFP has been playing an important role in strengthening inter-sectorial coordination in DRM and social protection – contributing to the consolidation of lessons learned and to enhance national stakeholder capacities to promote constant improvements in the provision of WII.

Also, work with insurance companies and financial service providers is key to increase private sector sensitivity and awareness on the demands of vulnerable smallholder farmers, especially those with lower levels of financial literacy. Awareness campaigns are also important at the community level, which in Zambia are being done through the government’s agriculture extension staff.

Technical support to increase access of microinsurance solutions to the most vulnerable households in Zambia must increase. While significant progress for the sector has been made through the integration of WII into rural social protection and productive support programmes,

especially FISP, it is key to implement efforts to constantly improve FISP’s features sensitivity to better protect the most vulnerable smallholder producers in rural areas.

Feasibility assessments shall also be made to study the potential for an expansion of microinsurance access through other social protection programmes targeted at the poorest, such as SCT. Importantly, the Government of Zambia intends to integrate risk management tools to leverage existing weather and livestock-based index insurance as viable pathways for SCT beneficiaries. Technical assistance to the Government will be key to ensure that SCT adopts a “cash plus” approach, that links social cash transfers to other features and increases its potential to break the inter-generational poverty cycle (for instance, by supporting beneficiaries to access risk transfer solutions, microfinance and other initiatives aimed at building capacity and sustainable income generation).

Design improvements can also be fostered in benefit delivery (eg. by scaling up digital payments of pay-outs and supporting beneficiaries’ financial inclusion), as well as in the adequacy of the social protection schemes. As of 2021/2022 farming season, all FISP beneficiaries were entitled to receive the same quantity of agricultural inputs (fertilizers and maize seed) and paid the same premium amount to access WII. As per existing evidence and studies, a reallocation of a higher proportion of FISP inputs to relatively smaller and most vulnerable farmers¹⁸, as well as alternatives to sponsor WII premium for those who cannot afford it could contribute more extensively to reduce rural poverty and increase resilience in Zambia.



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