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Microinsurance and Social Protection

Madagascar Country Case Study

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

From 2013 to 2019, Madagascar experienced steady economic growth rates, with a 3.5 percent average increase of the Gross Domestic Product (GDP) per year. However, income per capita has grown at a much slower pace with an only 0.7 percent average increase in GDP per capita during the same period. Currently, Madagascar remains a low-income country, ranking in the lower third of UNDP's Human Development Index (164 out of 189 countries in 2020)^{4, 5}.

Advances in the economic sector did not lead to significant reduction in poverty rates. The share of the population living in extreme poverty (below USD 1.90 per day) declined slightly from 78.8 percent in 2012 to 77.4 percent in 2019, with higher prevalence in rural areas⁶. Also, the economic development trend has been severely impacted by successive shocks, such as the COVID-19 pandemic, prolonged droughts and the global food crisis, which triggered a deep economic recession in the country. Madagascar is highly exposed to climate change, ranking 31st globally according to the INFORM Risk Index⁷. The country faces recurring climate shocks, including cyclones at an average of three to four per year, floods and droughts, especially in the Southern region. As a result, Madagascar's population is facing a food crisis in which 1.64 million people are estimated to be food insecure (1.24 million people in IPC Phase 3 and 0.4 million in IPC Phase 4)⁸.

The National Social Protection Strategy (NSPS) 2019-2023, led by the Ministry of Population, Social Protection and Promotion of Women (MPPSPF), establishes the expansion of social protection coverage, particularly for children, as a key priority for the country. However, financial constraints and low social spending with only 0.11 percent of the GDP invested in social assistance hinder the country's capacity to achieve objectives for social protection. As of 2021, the flagship National Social Safety Net Programme (NSSN) covered only five percent of the extreme poor households, despite the government plans to increase this to 15 percent by 2023 and 50 percent by 2030⁹.

The NSSN encompasses two major components: a conditional cash transfer for families with children attending primary school (TMDH) that covered 113,130 households in 13 districts of the country in 2020 and a cash-for-work programme (ACTP) targeting vulnerable households with the ability to work which covered 43,690 households in seven districts. For families with limited ability to work, the programme also offers an unconditional cash transfer component, linked to ACTP and restricted to 20 percent of the total number of beneficiaries. NSSN is implemented with financial support from the international development community and is available in only 20 out of 119 districts of Madagascar, which highlights the imminent need for further investments to scale up social assistance throughout the country¹⁰.

The increased recurrence and intensity of shocks in Madagascar highlights the importance of strengthened social protection, disaster risk management and resilience programmes. Over the last years, social protection programmes have also been used as a key instrument in response to emergencies. In 2018, following the droughts aggravated by El Niño, an unconditional cash transfer (TVA) was introduced to expand coverage of social assistance in the southern region of Madagascar. Also, in response to COVID-19, an emergency cash transfer (Tosika Fameno) supported 345,000 households in eight districts of the country as part of the Shock Responsive Social Protection system established by the Government, together with the main emergency response stakeholders in the country.

In 2020, a UN Joint Programme (UNJP) on social protection was introduced, with WFP, ILO, UNICEF, UNFPA and the Government of Madagascar through the MPPSPF. The UNJP, also known as the 'Integrated Social Protection Programme in the South of Madagascar – Fagnavotse Programme', which means 'Rescue' in Malagasy, was implemented between January 2020 and March 2022 with funding from the UN Joint SDG Fund and other development partners. Fagnavotse's main objective was to strengthen Madagascar's national social protection system and develop a model that could be scaled-up nationally. The programme provided capacity strengthening activities such as training and technical assistance to enhance government's institutional coordination, and the direct provision of social assistance to over 75,000 households in three



communities of Southern Madagascar (Amboasary District), an area severely exposed and affected by natural hazards, especially droughts¹¹.

The Fagnavotse Programme targeted households living in extreme poverty and complemented the national social protection system with a wide set of interventions, including unconditional cash transfers, health insurance, protection services, livelihood support activities and agriculture microinsurance (the last two were implemented with technical and operational support from WFP). In total, the programme had a budget of USD 4.2 million (USD 1.9 million from the Joint SDG Fund)¹².

Relevant linkages of microinsurance and social protection/programme features

WFP is working in Madagascar to build families' resilience to climate shocks by implementing climate risk insurance solutions to smallholder farmers. The programme started in 2020 as part of the R4 Rural Resilience Initiative (R4) in response to an extreme drought that affected the country during the 2019/2020 agricultural season. In total, 5,500 farmers, of which 72 percent were women, accessed an Area Yield Index Insurance (AYII) with support from WFP, who paid the cost of the premium for the policy and provided training on post-harvest management tools and climate smart agriculture practices (as part of R4 risk reduction component)¹³. Insured participants were also members of Village Savings and Loans Associations (VSLAs).

Utilizing the expertise generated during R4 implementation, WFP joined the UNJP on Social Protection, with funding from the UN SDG Joint Fund, to implement livelihoods and microinsurance solutions to families covered by the Fagnavotse Programme, in complementation to existing social protection instruments provided by other UN agencies to beneficiary families under the same initiative, such as cash transfers and health insurance.

In total, WFP provided microinsurance to 5,500 smallholder farmers in the Amboasary district – 3,500 during the 2020-2021 agricultural season and an additional 2,000 in the following year. As a result of drought conditions, payouts were triggered to all insured households in 2021, who received USD 100 to support the mitigation of losses provoked by crop failure. As part of the livelihood component, insured families were also entitled to receive training on techniques to minimize post-harvest losses and supported with tools and techniques to implement climate-smart agriculture and agroecology¹⁴.

Conclusion: opportunities for the integration of social protection and microinsurance

The Integrated Social Protection Programme in the South of Madagascar (Fagnavoste Programme) is a noteworthy UN model for supporting governments in designing an integrated social protection approach and strengthening national social protection systems, especially in low-income countries with incipient technical capacities.

The technical and operational experience of WFP in the promotion of climate risk transfer solutions to smallholder farmers in Madagascar was key for the inclusion of microinsurance as an additional component of the Fagnavoste Programme. The initiative also highlighted the relevance of microinsurance solutions and the role they can play in the strategy to fight poverty and food insecurity in Madagascar, especially when access is facilitated for vulnerable households and in combination with other social protection programmes. The food consumption and investment capacity of participating households proved better than that of non-participants.

Yet, institutional leadership and coordination remains a challenge for social protection in Madagascar, where social protection instruments such as registries and targeting mechanisms are still being structured and strengthe-

ned. The lack of a Management Information System (MIS) also imposed difficulties for a more integrated tracking of beneficiaries participating in different programme components, and contributed to delays in implementation timelines, as per reported in the Country-Led Formative Evaluation of the Programme, released in 2022.

Sustainable scale-up of microinsurance solutions as part of Madagascar's social protection system largely depends on strengthened institutions and predictable financial resources for the sector. As per available evidence, microinsurance was considered by national stakeholders and beneficiaries to be a low-cost and helpful tool in providing support to vulnerable families and in response to extreme weather events, helping households to maintain their food security and protect agriculture investments aftershocks occurs¹⁵. However, continuous support for both the Government and communities involved, as well as the integration of private sector insurance providers will be crucial to ensure that gains achieved during Fagnavotse implementation are maintained and scaled-up in the future.

Also, the inclusion of microinsurance as part of the Joint SDG Fund project on social protection is a remarkable achievement for the sector, as it provided funds and visibility for the design of insurance solutions to vulnerable households affected by climate shocks. There is potential for the systematisation and dissemination of results, for future replications in other countries of the region.



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- 3 The authors are responsible for the choice and presentation of the facts contained in this publication and for the opinions expressed herein, which are not necessarily of, and do not commit, WFP. We are also thankful to WFP PRO-S, PRO-C, Country Offices and Regional Bureaus who provided inputs to this piece.
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