



Climate Risk Insurance: A key tool for building resilience in Haiti

BACKGROUND

Haiti remains the poorest country in the Latin America and the Caribbean region (LAC), and is among the poorest countries in the world. In 2021, Haiti had a GDP per capita of US\$1,815, the lowest in the LAC region. GDP contracted 3.3 percent in 2020, and 1.8 percent in 2021. On the UN's Human Development Index, Haiti ranked 170 out of 189 countries in 2020.

Haiti is also among the countries with the greatest inequality in the region. This is largely due to two thirds of the poor living in rural areas and the adverse conditions for agricultural production, creating a wellbeing gap between urban and rural areas.

Globally, Haiti is among the top countries that are particularly prone to natural hazards such as hurricanes, floods, and earthquakes. This will only worsen as the climate crisis increases the frequency, intensity, and impacts of extreme weather events. Haiti, while making some progress, still lacks adequate risk management and resilience-building mechanisms.

For the United Nation's World Food Programme (WFP), enabling access to climate and disaster risk financing instruments (CDRFI), including solutions such as insurance, is central to achieving zero hunger through both saving lives and changing lives. Through WFP-supported climate risk insurance programmes, governments, communities and smallholder farmers' associations can better cope with shocks, finance early responses after catastrophic events, and recover faster from climate extremes while also building resilience through promoting measures that protect themselves and their communities from growing climate risks.

Based on the experience and expertise gained by WFP globally and in the region, WFP Haiti is introducing complementary CDRFI tools. When it comes to risk financing it is recommended to ensure a level of diversity in financial instruments being designed, in an effort to properly address hazards of varying intensities and frequencies efficiently.

WFP is introducing its flagship integrated climate-risk management approach, the R4 Rural Resilience Initiative (R4), to address both climatic and non-climatic drivers of vulnerability in Haiti. As with other countries in the region, WFP Haiti is combining a set of integrated risk management strategies, including access to microinsurance, as well as other components of R4 that support income generation, asset creation, environmental rehabilitation, community governance, nutrition, behaviour-change communication and social protection initiatives.

By promoting access to a microinsurance solution for smallholder farmers, WFP can enable vulnerable farmers to protect their livelihoods from the financial impact of severe climate risks. The availability of risk-transfer tools like microinsurance enables farmers to access risk-informed investments and unlock growth in the rural agricultural sector.

In October 2022, WFP Haiti implemented a Weather Index Insurance (WII) pilot under R4 in Grand Anse and Sud to incentivize smallholder farmers and associations to undertake risk reduction activities, while providing access to a microinsurance product that can build their resilience by protecting their livelihoods from unfavourable rainfall. Nearly 5,000 smallholders were protected against excess and deficit of rain. WFP Haiti plans to scale-up R4 over the coming years to provide 50,000 farmers with microinsurance by 2024.

The introduction of R4 in Haiti is part of a wider disaster risk financing strategy where, in the long term, WFP will introduce additional CDRFI that can complement microinsurance through providing protection for different levels or types of risk. These instruments include Anticipatory Action (AA), which triggers support based on forecasts, and macro insurance that provides coverage from catastrophic shocks at the national level.

Introducing risk financing instruments in Haiti includes the following objectives: (i) Design microinsurance products that are easily scalable and are integrated in resilience building strategies promoting productivity and income generating activities, (ii) Introduce insurance components that can be linked to other financial services and tools (formal and informal), (iii) Complement other WFP Haiti interventions aiming at reinforcing smallholder farmers' capacities such as Home-grown School Feeding (HGSF), (iv) utilize smart subsidies, aggregators and innovative distribution channels to reach a critical mass that will ensure sustainability of the product, and (v) integrate with macro and meso level risk financing solutions - such as the coverage of CCRIF SPC¹ and AA.

1. PILOT PHASE 2022

WFP Haiti in partnership with local insurance Company AIC, WRMS (technical provider) and SCOR (reinsurer), launched an index-based microinsurance pilot with 4,990 smallholder farmers, of which 51 percent are women, in the Grand Anse and Sud departments. Over 1,000 of these farmers are also beneficiaries of WFP's Food for Assets² (FFA) programmes. The insurance product covers losses caused by excess rain and rain deficit. Under this pilot, WFP works with one of the largest farmers' federation in the Grand Anse area, as well as a group of FFA beneficiaries in the southern coastal area. This pilot aims to complement and further develop a complete resilience package for targeted beneficiaries and communities.

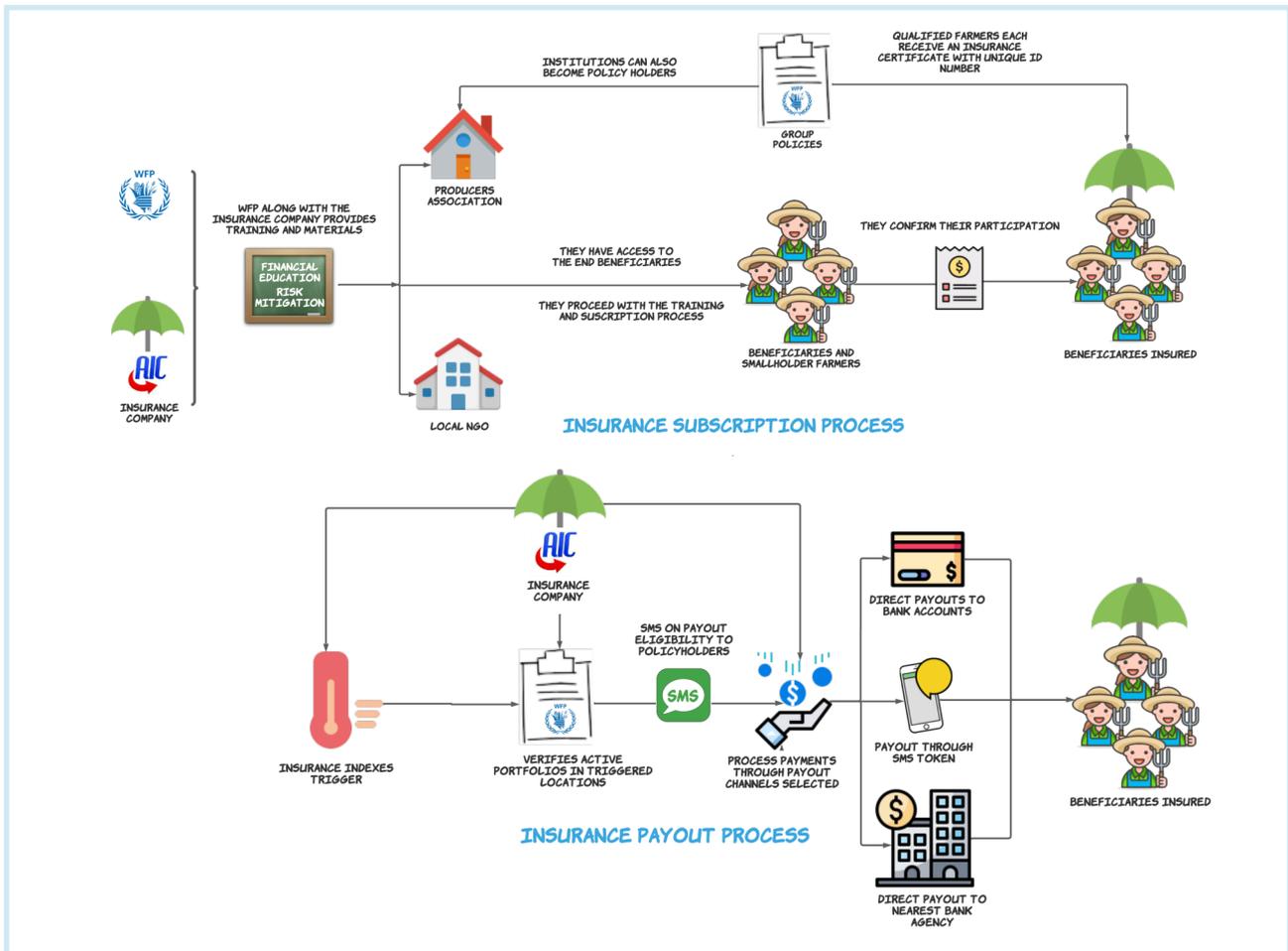
This new index insurance scheme supports farmer communities as well as extremely vulnerable households dependant on agriculture. The product considers the production cost over the period of one year as sum insured, resulting in maximum pay-out of around US\$900 for both risks. The cover aims to improve the resilience of households, allowing participants to protect their productive investments and meet their needs in case a covered event occurs. To help build farmers' adaptive capacity and reduce their exposure to climate-related risks in the department of Grand Anse, the selected cooperatives provided agricultural insurance participants with technical assistance to help reduce risks for their agricultural activities. Whereas in Sud, WFP supports implementation of environmental protection activities, such as soil and water conservation works and reforestation activities.

KEY MICROINSURANCE INFORMATION

	2022 (Pilot)	2023-24 (Scale Up)
	4,990 Insured farmers (51% women)	50,000 insured farmers (61% women)
	2 departments / 11 communes Grand Anse & Sud	4 departments / 20 communes Grand Anse, Sud, Artibonite and Nippes
	US\$90 Average value of premiums	US\$90 Average value of premiums
	US\$900 Average value of sum insured	US\$900 Average value of sum insured
	Excess Rain and Rain Deficit	Excess Rain and Rain Deficit/ Wind Speed
	Payout set at 4 triggers of a maximum of US\$450 per risk	Payout set at 4 triggers of a maximum of US\$300 per risk

¹ Caribbean Catastrophe Risk Insurance Facility—Segregated Portfolio Company

² The World Food Programme (WFP)'s Food Assistance for Assets (FFA) initiative addresses immediate food needs through cash, voucher or food transfers, while at the same time it promotes the building or rehabilitation of assets that will improve long-term food security and resilience.



Subscription and indemnity process of agricultural insurance

2. BENEFICIARY TESTIMONIAL

Manise lives in Deschamps, a section in the Commune of Roseau, in Grand Anse. Similar to the majority of households in rural areas, 38-year-old Manise and her family prioritize farming activities as a way to generate revenues and support their households' food consumption needs. The commune of Roseau is often subject to intense droughts and dry spells, and households working in agriculture are compelled to practice agriculture in dire conditions, while having to witness helplessly their hard work and their investment, very often linked to high interest loans, being affected by extreme weather events.

Manise is the secretary of an association, women's group ASOFAD, involved in various activities; such as farming, mills, solidarity and savings' group. The association includes around 200 members who have clubbed together with a shared objective of reinforcing capacities.

Manise and some of her group members have access to insurance for the very first time. They have heard about different types of insurance like health, pension, funeral, but only for people in the capital region. According to them, although WFP is supporting some of their members, insurance must be made available to everyone, as people in the communities will need support paying for insurance.

Because of the group's various activities, they often participate in financial education and literacy trainings. The availability of insurance in rural areas is a result of financial inclusion activities in their community. Indeed, weather index insurance aims to create awareness beyond direct beneficiaries, by extending it to the broader community. This will help to gradually transfer the premium payment to beneficiaries in the future, as part of the sustainability strategy.

"We are very honored to have insurance here, because as a woman organization we see there are programs that can reinforce capacities in the communities, and it means we can one day hope for programs like credit, and insurance for windstorm"

Manise, Secretary of women's group for the Development of Dechamps - ASOFAD



3. SCALE UP PHASE 2023

Although this project is still in the pilot stage, the scaleup strategy design process is underway. WFP and its partners have already begun the product design for two other departments in anticipation of the launch for the next 2023-24 cropping season. The scale up will deploy a hybrid approach to the insurance product development, including both ground and satellite data. This will help introduce a flexible and diversified product for rural communities in different regions.

The distribution strategies for scaleup will continue to involve smallholder farmer associations, and other agriculture cooperatives, in an effort to build local ownership that will guarantee long term viability and commercial potential. In addition, many entry points for subscriptions will be made available in order to include the entire value chain; from subsidies for mandatory coverage, to a pay-as-you-go for optional coverage. We will continue to build synergies with strong projects, sensitive to gender inclusion, to promote inclusive community resilience building. Strategic partnerships with other UN agencies, as well as financial partners, are also being considered to achieve greater outreach and impact.

Achieving these objectives also relies on the availability of useful financial tools, capable to build financial capacity and promote growth within the insured household. This will only be possible by reinforcing the knowledge within communities, through awareness raising and financial education activities.

The outreach potential for 2023 is close to 50,000 beneficiaries with a primary focus on smallholder farmers involved in home-grown school feeding activities and social protection system beneficiaries.

4. MACRO STRATEGY

Starting in 2023, WFP Haiti will start promoting macro-level insurance to effectively reduce vulnerability levels of communities threatened by climate-related shocks. Through an approach that links with country-level catastrophe policies offered by the CCRIF SPC, WFP Haiti hopes to develop new synergies with the Government to facilitate better climate risk management and shock-responsive social protection for the population. The vision for the country office is to provide a sustainable solution that supports both the government and WFP in assisting vulnerable people and communities. The pre-arranged funding will provide assistance to affected populations in the case of extreme climate shocks and enable rapid responses through Emergency Reactive Social Protection Programmes.

LESSONS LEARNED

Through the learning journey of activities leading up to the pilot phase in 2022-2023, the technical development of this scheme and scale up strategies for 2023-2024, combined with information gathered from the field, feedback from associations, private sector institutions and government entities that participated during the pilot, WFP Haiti has established lessons learned to improve the project's implementation and scaling process, described in the table below:

Awareness and Communication	Although education activities are to target direct beneficiaries, awareness campaigns should concern entire communities.
	Communication around the importance of insurance should be via different and diversified channels.
	Simple (visual) messages and interactions should be included in the process.
Product Enhancement	Complement the agricultural insurance product with additional benefits for policyholders and farmers (funeral, hospital-cash, or healthcare voucher).
	Extend coverage to the entire value chain all the way to transformation, and access to market (harvest storage, transportation, etc.).
	Promote payouts onto savings accounts and complement insurance with other financial products promoting investments and wealth creation.
Training	Training workshops on financial management and climate resilience at the level of cooperative's technicians and with farmers, and at the community level.
	Ongoing training on agricultural insurance.

PARTNERS

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