



SAVING
LIVES
CHANGING
LIVES

CLIMATE RISK INSURANCE

Annual Report 2022



Razzia receiving the payout from WFP's microinsurance programme in Malawi.

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Acronyms

AA	Anticipatory Action
AF	Adaptation Fund
ARC	African Risk Capacity
ARC Ltd	African Risk Capacity Limited
ARV	Africa RiskView
ATP	Ability to Pay
AYII	Area Yield Index Insurance
BHA	Bureau of Humanitarian Assistance
BMZ	Federal Ministry for Economic Cooperation and Development of the Federal Republic of Germany
CA	Conservation Agriculture
CBT	Cash-based Transfer
CCRIF SPC	Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company
CDRFI	Climate and Disaster Risk Financing Instruments
CNAAS	Compagnie Nationale d'Assurance Agricole du Sénégal
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
FbF	Forecast-based Financing
FCDO	Foreign, Commonwealth, & Development Office
FFA	Food Assistance for Assets
FII	Forecast Index Insurance
FIP	Final Implementation Plan
FISP	Farmer Input Support Programme
GCF	Green Climate Fund
GIZ	German Agency for International Cooperation
GSFF	Global Shield Financing Facility
HARITA	Horn of Africa Risk Transfer for Adaptation
HGSF	Home-Grown School Feeding
HH	Households
ICRM	Integrated Climate Risk Management
IDF	Insurance Development Forum

IDP	Internally Displaced People
IFAD	International Fund for Agricultural Development
IGP	InsuResilience Global Partnership
IPC	Integrated Food Security Phase Classification
KfW	German state-owned development bank
KOICA	Korea International Cooperation Agency
LSA	Lean Season Assistance
MEL	Monitoring, evaluating, and learning
MoU	Memorandum of Understanding
OP	Operational Plan
PICRIC	Pacific Catastrophe Risk Insurance Company
PICSA	Participatory Integrated Climate Services for Agriculture
PSNP	Productive Safety Net Programme
RUSACCO	Rural Savings and Credit Cooperative (RuSACCO)
R4	R4 Rural Resilience Initiative
RTP	Risk Transfer Parameters
SAMS	Smallholder Agricultural Market Support
SDC	Swiss Agency for Development and Cooperation
SEADRIF	Southeast Asia Disaster Risk Insurance Facility
SfC	Savings for Change
SIDA	Swedish International Development Cooperation Agency
SIPE	Satellite-Index Insurance for Pastoralists in Ethiopia
TWG	Technical Working Group
UNCDF	UN Capital Development Fund
UNDP	UN Development Programme
USAID	United States Agency for International Development
VAM	Vulnerability, Analysis and Mapping
VESA	Village Economic and Social Associations
VSL	Village Savings and Lending Group
WB	World Bank
WII	Weather Index Insurance
WFP	World Food Programme
WTP	Willingness to Pay



ARC Replica beneficiary Aissé in her village of Bouly in Nioro, Mali.

Foreword

The destructive effects of the global climate crisis are hitting the world's most vulnerable communities particularly hard. Since the adoption of the Paris Climate Agreement in 2015, the world has contended with the eight hottest years on record and a series of unprecedented climate extremes costing billions in losses and damages. In 2022 alone, the impact of the 10 most destructive climate disasters have cost over US\$100 billion.¹ In 2023, in the record UN humanitarian appeal for US\$ 51.5 billion to help 230 million people, climate change is highlighted as a major stressor putting millions of lives in danger.

Vulnerable communities in the most hazard-prone settings should not be left to absorb the impact of a global climate crisis they had no part in creating. WFP therefore invests in programmes to help these communities avert, minimize and address the loss and damage associated with the adverse effects of climate change. This enables governments and communities to proactively manage climate risks with a broad range of climate and disaster risk financing solutions, including risk insurance.

Since 2008, WFP has enabled food insecure communities to access insurance protection and has strengthened government capacities on disaster risk financing and response. At the community level, WFP scales up microinsurance solutions through its flagship R4 Rural Resilience Initiative by integrating risk management strategies to address climatic as well as non-climatic drivers of vulnerability. WFP also promotes macroinsurance by partnering with national governments and regional risk pools, such as the African Risk Capacity (ARC), to purchase insurance products that finance early response actions when a catastrophic climate shock triggers a payout and promote more shock responsive social protection systems.

In 2022, WFP provided climate insurance protection to 3.8 million vulnerable people in 21 countries, with financial coverage totalling US\$ 365 million. This support was delivered through direct engagement in insurance product design, distribution, and premium support as well as technical assistance to governments. In areas affected by drought, floods and tropical cyclones, the payouts from these insurance solutions have assisted 1.8 million people and enabled an additional US\$ 12.6 million in cash transfers, which is a three-fold increase from 2021 for both indicators.

In 2023, WFP will expand its climate risk insurance programmes across Africa, as well as in Asia and the Pacific and Latin America and the Caribbean. This will be facilitated by financial support from the governments of Germany and the United Kingdom through the World Bank's Global Shield Financing Facility. This funding is critical to scale climate risk financial protection from 3.8 million people in 2022 to 4.5 million people in 2023.

Efforts will be intensified to improve the integration of climate risk insurance solutions with other WFP workstreams focusing on social protection, emergency preparedness and anticipatory action, cash-based transfers, and smallholder agricultural market support. In addition, WFP will continue to invest in the use of digital solutions for insurance applications and systematic efforts to generate evidence for the international Climate and Disaster Risk Financing (CDRFI) architecture.

We are grateful for the continuous support of our partners and donors and look forward to continuing this important work in 2023.

Valerie N. Guarnieri

Deputy Executive Director

Policy and Programme Development

World Food Programme

¹ Christian Aid. 2022. [Counting the Cost 2022. A year of climate breakdown.](#)

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 instruments is central to fulfilling its mandate of saving lives and changing lives while ending global hunger. One avenue that WFP is building resilience to extreme weather events is advancing financial protection through climate risk insurance. This helps countries and households to better manage the impacts of the climate crisis, recover faster, while offering protection from loss and damages.

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 AGAINST
CLIMATE-RELATED RISKS FOR THE
MOST VULNERABLE**

GOALS

WFP aims to build the resilience of climate-vulnerable and food-insecure people by enabling access to sustainable, scalable, and innovative climate risk insurance instruments. 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 insurance solutions in particular – 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 timing, severity and frequency levels of risk.
- **FOSTERING** integration and linkages with WFP programmes, as well as government and private sector programmes and initiatives, in particular around social protection, market access and emergency preparedness.
- **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

TARGET 1.

5 million people protected by climate risk insurance **in 2025**.

TARGET 2

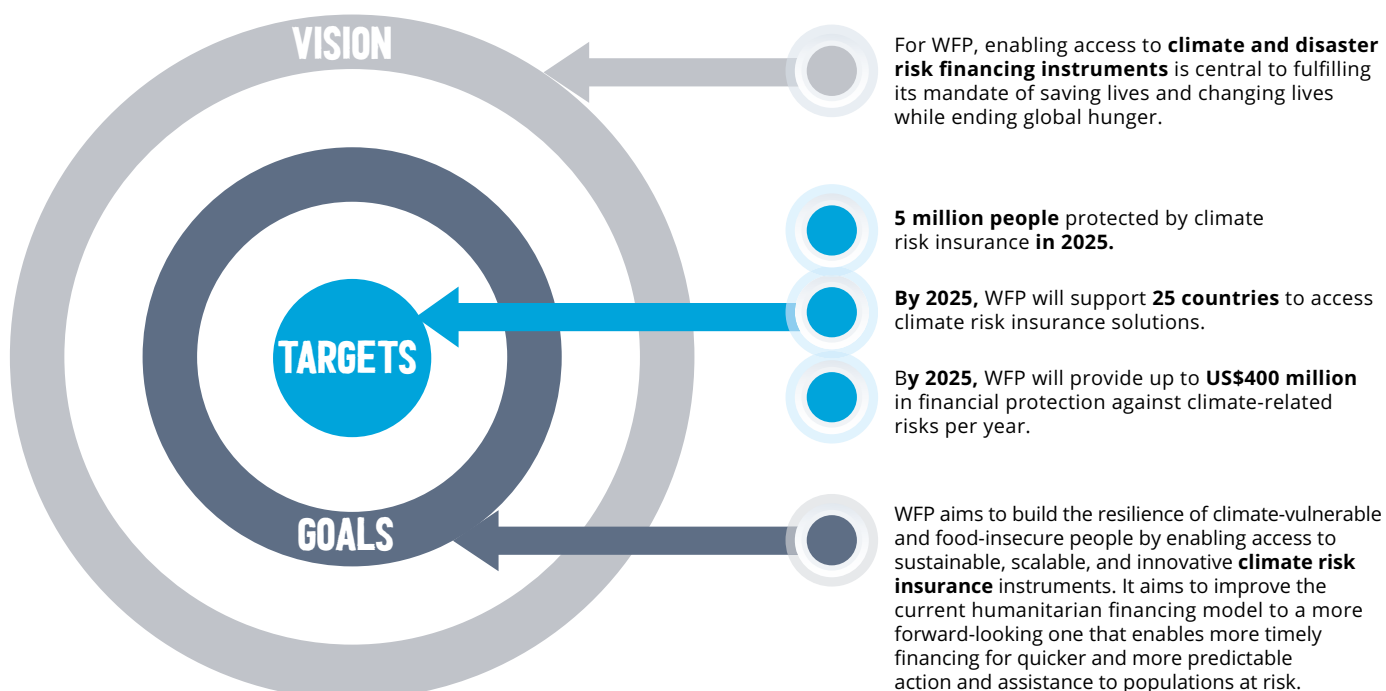
By 2025, WFP will support **25 countries** to access climate risk insurance solutions.

TARGET 3.

By 2025, WFP will provide up to **US\$400 million** in financial protection against climate-related risks per year.

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. Moreover, in 2022, the G7/V20 launched the [Global Shield](#) against Climate Risk at COP27, an initiative for pre-arranged financial support designed to be easily deployed in times of climate-related disasters. As part of this, WFP will receive US\$20 million from Germany and the United Kingdom to support the expansion of WFP's climate and disaster risk financing cover in over 20 countries across the globe. Through its climate risk insurance programmes, WFP is contributing to reaching the goals of the international community in scaling up protection of the most vulnerable against increasing climate risks.



OUR ACTION IN 2022

Macroinsurance



1.8 million people protected by macro-level insurance during the 2022/23 season



Total value of premium amounts to **US\$8 million**



Over **US\$54.9 million** in financial coverage



Over **265,000** people received WFP assistance funded by the insurance payouts in 2022



US\$9.4 million in insurance payouts triggered during the 2021/22 season and **US\$15.4 million** in payouts triggered during the 2022/23 season

Microinsurance/Meso-insurance



Over **2 million** people covered with insurance



Total value of premium amounts to nearly **US\$15.4 million**



Over **US\$305 million** in financial coverage, including over US\$270 million in indirect coverage through technical assistance



Over **1.5 million** people benefitting from insurance payouts in 2022



Over **US\$5.2 million** in insurance payouts distributed in 2022

Financial Inclusion



Nearly **200,000** participants engaged in financial inclusion initiatives in countries where WFP implements climate risk insurance programmes



75 percent of participants are **women**



Over **US\$7.5 million** saved by the participants of financial inclusion programmes



Nearly **6.6 million** of loans accessed by participants of financial inclusion programmes



M-pesa mobile money service agent standing next to his booth, in Tete, Mozambique.

© WFP/Susanna De Sousa

WFP-supported Climate Risk Insurance Programmes

With the impacts of the climate crisis becoming increasingly severe and widespread, WFP seeks to promote people's resilience to climate shocks through integrated climate risk management approaches; WFP-supported climate risk insurance programmes, combined with other risk management tools, 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. As much as possible, integration with social protection systems or safety nets is an objective.

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, climate services, adaptation of farming practices 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 on the micro, meso, and sovereign/macro-level.

Microinsurance as part of integrated climate risk management

Smallholder farmers, pastoralists, and small and medium entrepreneurs (MSMEs) 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 climate-vulnerable households to manage these risks and reduce vulnerabilities using an integrated set of tools that include access to microinsurance, risk reduction measures and financial services. These tools complement each other and provide support for different risk severity levels, enabling individuals to manage a variety of risks.

Box 1

WFP-SUPPORTED MICROINSURANCE PROGRAMMES

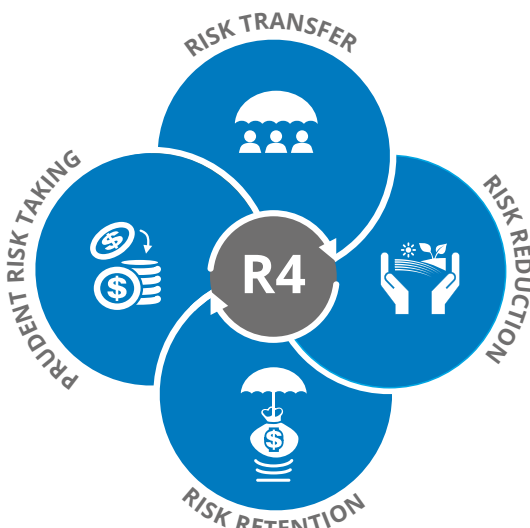
Countries where WFP provides support through direct engagement on product design, implementation and premium payment: Bangladesh, Burkina Faso, Cuba, El Salvador, Ethiopia, Haiti, Guatemala, Kenya, Madagascar, Malawi, Mozambique, Nicaragua, Senegal and Zimbabwe.

Countries where WFP provides technical assistance to governments: Democratic Republic of Congo and Zambia.

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, households 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 2022, R4 reached nearly **400,000** vulnerable households and their families across Africa, Asia, Latin America and the Caribbean.

The R4 Model



RISK TRANSFER

R4 enables the poorest farmers, pastoralists, or small and medium entrepreneurs (MSMEs) 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 asset 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.

Box 2

SAVINGS AND INSURANCE LAYERING (SAIL)

To ensure the protection of farmers against the varying severities and frequencies of climate risks, the World Food Programme (WFP) is actively promoting the adoption of a risk layering model through the Savings and Insurance Layering (SAIL) approach. This approach entails a unique combination of insurance and savings, offering dual benefits to farmers. SAIL utilizes a double-trigger product design, whereby the climate risk insurance component aims to provide protection against infrequent but severe events, while the savings component aims to offer support to farmers during more frequent and less severe events.

The overarching goal of the SAIL approach is to enhance farmers' savings capacity and promote their understanding of the significance of long-term savings. Moreover, SAIL aims to equip farmers with the necessary skills to manage climate shocks through a blend of risk management tools, and by providing improved access to finance.

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. Sovereign insurance or macro-level insurance is one approach where WFP partners with national governments and regional risk pools to purchase an insurance product, such as under the African Risk Capacity (ARC)² Replica programme, or top-up premium finance of government partners' existing insurance policies to finance government-owned shock responsive social protection systems or to finance WFP's assistance when a climate shock triggers a payout.

Box 3

WFP-SUPPORTED SOVEREIGN INSURANCE PROGRAMMES

Countries where WFP directly purchased a policy: Burkina Faso, Madagascar, Mali, Mauritania, the Gambia and Zimbabwe.

Countries where WFP provided a top up to the government's policy: Belize, Dominica and Nicaragua.

Countries with a contingency layer: Madagascar and Zimbabwe.



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

© WFP/Sayed Asif Mahmud

2. 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.

ARC Replica

ARC Replica is a programme designed to improve the effectiveness of emergency response after climate-related disasters and provide financing to WFP in case of a catastrophic event, such as drought or tropical cyclone. 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 (Replica Partners) 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 by purchasing a 'Replica Policy' or by independently purchasing their own policies, in cases where the government does not purchase insurance protection for a given season. This increases the amount of financial protection 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 hazard models. In addition, WFP strengthens the response capacity in the country through better coordination and contingency planning between governments and the international humanitarian system. The Replica Partner's contingency plans are developed and endorsed in close consultation with the Replica Country government and outline the details of potential interventions WFP could implement in case insurance payouts are triggered by a large-scale climate shock, being mindful to complement those interventions which the government plans to implement.

In 2022, WFP protected nearly 1.7 million people in **Burkina Faso, Mali, Madagascar, Mauritania, The Gambia** and **Zimbabwe** from catastrophic drought and tropical cyclone through ARC Replica. From these insurance policies, three payouts were triggered in 2022, totaling US\$15.4 million (US\$7.2 million for WFP Burkina Faso, US\$187,600 for WFP The Gambia and US\$8 million for WFP Mali). With these payouts, it is estimated that 490,000 people will be assisted by WFP with cash and food assistance across all three countries, with additional nutritional support for children aged 6-23 months and pregnant and lactating women provided in Mali. Some of the policies purchased in 2022 may still trigger payouts in 2023.

Table 1. Risk Transfer Parameters for ARC Replica policies purchased by WFP in 2022

2022/23 (POOLS 9A & 9B)			
COUNTRY (cover for drought, unless specified otherwise)	PREMIUM	MAX COVERAGE	NUMBER OF PEOPLE PROTECTED
BURKINA FASO	1,117,000	7,185,705	179,642
THE GAMBIA	332,245	2,744,611	49,902
MALI	2,150,000	15,742,750	781,665
MAURITANIA	1,011,616	4,263,875	71,064
MADAGASCAR	500,000	2,423,930	60,598
MADAGASCAR (tropical cyclone)	500,000	2,694,825	269,483
ZIMBABWE	2,000,026	11,256,285	281,407
TOTAL	7,610,887	46,311,981	1,693,763

WFP's sovereign risk insurance approach in the Latin America and the Caribbean Region

Based on the lessons learnt from the ARC Replica experience in Africa, WFP explored how to leverage sovereign risk financing solutions in Latin America and the Caribbean region. This led to testing different sovereign risk financing approaches in the region, with a focus on linking them with governments' social protection systems to make them more shock responsive.

In the Caribbean, WFP supported the Governments of Dominica and Belize to link climate risk insurance through the Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC) to the countries' social protection systems. In Dominica, WFP contributed a total of US\$300,000 over a two-year period to top up premiums for the CCRIF SPC tropical cyclone policies for 2021/22 and 2022/23. In Belize, WFP provided premium support worth US\$200,000 to top up the existing policies for

the 2022/23 Atlantic Hurricane Season, supporting the government to take additional coverage on both their tropical cyclone and excess rainfall insurance policies from CCRIF SPC. In the event of a tropical cyclone triggering the policy, a portion of the payout will be allocated to directly assist people that have been impacted by the hurricane, either through disbursements from scaled-up national social protection programmes or bespoke cash assistance. Such a solution can help social protection systems become more shock responsive, ensuring more rapid and targeted responses for the most vulnerable.

In Nicaragua, WFP provided a top up valued at US\$100,000 to the government's tropical cyclone policy offered by CCRIF SPC in 2022. The approach enables the government and WFP to assist vulnerable people and communities with pre-arranged funding in case of extreme climate shocks. Following Hurricane Julia triggering the insurance policy, CCRIF SPC disbursed a US\$8.9 million payout to the Government of Nicaragua. Of this amount, WFP received compensation of US\$640,000, which was used to complement the ongoing emergency response by implementing early recovery of livelihoods, resilience and environmental programmes for 290,000 people in coordination with the national and local authorities of Nicaragua, including through the national school meals programme.

Risk Layering

To effectively address different levels of risks, WFP is adopting 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. Such complementary solutions, include for instance, 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 periods³ of once in every four years) with complementary risk

3. Return periods refer to the probability of an insured event occurring in any given year.

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.

In 2022, an index-based contingency fund for drought in Southern Africa (Madagascar and Zimbabwe) was designed by WFP in Partnership with ARC Ltd. The fund will be able to trigger for drought events that reach a one-in-four year event in a single locality, whereas the ARC Replica insurance will trigger when a one-in-four year event is reached on a national scale. The contingency fund will be tested during the 2022/23 Southern Africa agricultural season.



Market in Balaka District, Malawi.
© WFP/Badre Bahaji



Interviews

Support related to
WFP's microinsurance programmes

Aseguradora Rural Interview

Jose Guillermo López Cordon

General Manager, Aseguradora Rural, S.A.



Aseguradora Rural, in collaboration with WFP, contributes to the implementation of alternatives to mitigate the effects of climate change, specifically against the risks of rain and drought, through insurance coverage adapted to the characteristics of the target beneficiaries; and in facilitating Banrural's operational care and service infrastructure, including agencies, Banrural Banks and ATMs.

Aseguradora Rural is part of the Banrural Financial Group, led by Banrural, the only development bank in Guatemala, created by Decree Number 57-97 within the framework of compliance with the commitments of the Peace Agreements, especially in terms of "allowing the rural population access credit and financial services efficiently and adjusted to the local needs and conditions". This nature of its origin, orients it mainly to the rural area of the country through financial inclusion; parametric insurance being an initiative in the search for solutions to increase the resilience of the most vulnerable communities in the face of the threat of climate risk, and unprotected by traditional insurance coverage.

“Aseguradora Rural's approach to rural development is aligned with WFP's strategic objectives of promoting innovative solutions, building the risk management capacities of the most vulnerable segments, and providing access to affordable insurance.”

Aseguradora Rural's approach to rural development is aligned with WFP's strategic objectives of promoting innovative solutions, building the risk management capacities of the most vulnerable segments, and providing access to affordable insurance that offers compensation in a fast and transparent way, easy for the beneficiaries to self-manage.

Regarding sustainability, it is important to promote a microinsurance programme with a long-term vision, with a roadmap for scale up of insurable groups, providing a positive experience throughout the product cycle (easy enrollment, understanding of insurance, massive and fast claims settlement, payment methods for claims settlement in multiple forms) and the implementation of gradual adjustments to the insurance product according to the risk profiles' dynamics of the communities identified in each of the phases.

In Guatemala, climate risks are increasingly affecting regions and populations, especially the most vulnerable communities that, due to their risk profile and their low-scale productive activity, do not have access to traditional insurance. Therefore, parametric insurance against climatic risks is a sustainable and functional alternative to face the impact of losses due to climatic disasters. Climate insurance should be considered as an alternative last-line protection solution of an integrated climate risk management approach.



Interviews

Support related to
**WFP-supported climate and disaster risk
financing programmes**

InsuResilience Global Partnership Interview



Dr. Astrid Zwick

Head of InsuResilience Global Partnership Secretariat

The InsuResilience Global Partnership (IGP) promotes the work of its partners on Climate and Disaster Risk Financing and Insurance (CDRFI) through its engagement in international events and through various communication platforms. Through a coordinated programme alliance, the partnership also supports collaboration across and innovation among a steadily growing CDRFI community to provide tailor-made solutions for vulnerable countries.

At COP27 in Sharm El-Sheikh last year, the IGP invited representatives of the African Risk Capacity (ARC) and the Pacific Catastrophe Risk Insurance Company as panelists to share experiences on the role of partnerships in accelerating climate finance, and on effective loss and damage finance.

“Through the new V20/G7 initiative, the Global Shield (GS) against Climate Risks, programmes focusing on CDRFI (such as the programmes of WFP) should scale up action and increase efforts to close protection gaps. The GS will increase protection for poor and vulnerable people through a more collaborative, systematic, coherent, and sustainable CDRFI approach, focusing more comprehensively on single countries’ demands,”

Moreover, the [IGP Website](#) provides an overview of the partnership’s efforts through publications and case studies shared in the [Knowledge Hub](#). The CDRFI community can stay informed through the IGP’s newsletter, the Magazine, [LinkedIn](#) and [Twitter](#), and engage in the IGP’s international flagship event, the [Annual Forum](#).

Only a small portion of losses in vulnerable countries are covered by pre-arranged finance for climate shocks and disasters, opening a huge protection gap. Enabling faster, more reliable, and cost-effective responses strengthens the resilience of developing countries and protects lives and livelihoods of poor and vulnerable people. It is therefore one of the key objectives of the IGP’s Vision 2025 to scale up climate risk finance programmes.

Against this backdrop, WFP could continue to support innovative climate risk insurance mechanisms, such as the African Risk Capacity (ARC) Replica Programme, which seeks to expand the coverage of ARC, while providing new financing tools for civil society. Another example is Fiji, where WFP has worked together with the Ministry of Finance and UNCDF to introduce microinsurance products to social welfare beneficiaries, thereby strengthening social protection schemes.

Through the new V20/G7 initiative, the Global Shield (GS) against Climate Risks, programmes focusing on CDRFI (such as the programmes of WFP) should scale up action and increase efforts to close protection gaps. The GS will increase protection for poor and vulnerable people through a more collaborative, systematic, coherent, and sustainable CDRFI approach, focusing more comprehensively on single countries’ demands.



Interviews

Support related to the
ARC Replica Programme

Madagascar's Prevention and Emergency
Management Support Unit Interview

Mamy Nirina Razakanaivo

*Executive Secretary of the Prevention and Emergency
Management Support Unit (CPGU) at the Primature in
Mahazoarivo*



Our collaboration with WFP through the Africa Risk Capacity (ARC) Replica further strengthens the efforts already undertaken by the Government in terms of risk transfer at Africa's regional and continental level, through the ARC insurance mechanism. The great advantage of this mechanism is that it will allow the Government and its partners to simultaneously carry out an early and rapid response, in the event of a major hazard, such as drought and cyclones, with the possibility of extending and increasing the areas of intervention and the number of beneficiary population by 100 percent. In addition, through the sharing and exchange of good practices and experiences, this collaboration will also improve the technical capacity and knowledge of the risk profile of Malagasy technical experts within the Technical Working Group, in the framework for the development and implementation of an operational plan in the event of an insurance payout.

Given the country's extreme vulnerability to various climatic hazards, the Government's National Strategy is "to establish the reduction of risks and catastrophes as a pillar of sustainable development". To do this and achieve this, the strengthening of financial resilience through insurance mechanisms is one of the essential priorities allowing both state actors and partners to have the rapid financial means to be able to anticipate and lead the responses to emergencies, as well as implementing resilience-building activities among vulnerable communities to achieve the Sustainable Development Goals.

“Climate risk insurance has a big role to play in the fight against the climate crisis,”

In addition, WFP's participation in the ARC Replica programme came at the right time in the sense that it only contributes enormously to the achievement of the Government's ultimate objective of strengthening financial resilience in the face of major climate risks to enable the country's sustainable development. Thus, WFP's support through ARC Replica reflects the complementarity between the sovereign insurance of the government and ARC Replica, which is none other than a good example of a framework for collaboration and support between the Government and its technical and financial partners.

Climate risk insurance has a big role to play in the fight against the climate crisis. Taking the case of ARC's drought insurance, this mechanism is a form of mutual aid between member countries to cope with extreme climatic events by providing an early response through a disbursement that is done well before the impact of the hazards is felt by the population. It is both very beneficial for the population to strengthen their livelihoods as it avoids the sale of their assets, such as livestock and land, and is also a form of financial protection which helps the Government as it gains in terms of investment economy. (Instead of spending, for instance, US\$4 to help drought-affected households, only US\$1 is needed if interventions are carried out well in advance).

The importance is therefore not only insurance, but mainly an effective and rapid response to the population concerned, savings in terms of emergency interventions in the face of climatic hazards. In addition, the other important element is also the possibility of the insurance payout contributing to strengthening communities' resilience, which is a very important issue in mitigating the climate crisis.



Interviews

Support related to
WFP-supported climate and disaster risk financing programmes

UK Foreign, Commonwealth and Development Office (FCDO) Interview

Nicola Jenns

Disaster Risk Finance Adviser, UK Foreign, Commonwealth and Development Office (FCDO)



The UK is a strong supporter of Disaster Risk Finance (DRF) globally, including support for the regional risk pools and premium subsidies to ensure that countries, UN and humanitarian agencies can afford the cover they need, as well as expert technical assistance and advice through the Centre for Disaster Protection. Our support to WFP includes grants of over £6.6 million over the past two years for premium subsidies to enable WFP to purchase drought ARC Replica insurance, establish a lower risk layer for Southern Africa as well as associated staff, evaluation and technical assistance costs. Most recently, as part of the launch of the G7/V20 Global Shield against Climate Risk at COP27, the UK and Germany jointly funded a grant of US\$20 million to WFP to enable it to scale up its insurance cover to protect up to 20 of its country programmes globally.

“Disaster Risk Finance is very important to the UK as a powerful way of building the resilience of climate-vulnerable countries to shocks. DRF helps to ensure that quick and reliable money is available after a shock for countries and agencies to fund early, more effective and efficient responses that pre-empt damage and help communities recover more quickly,”

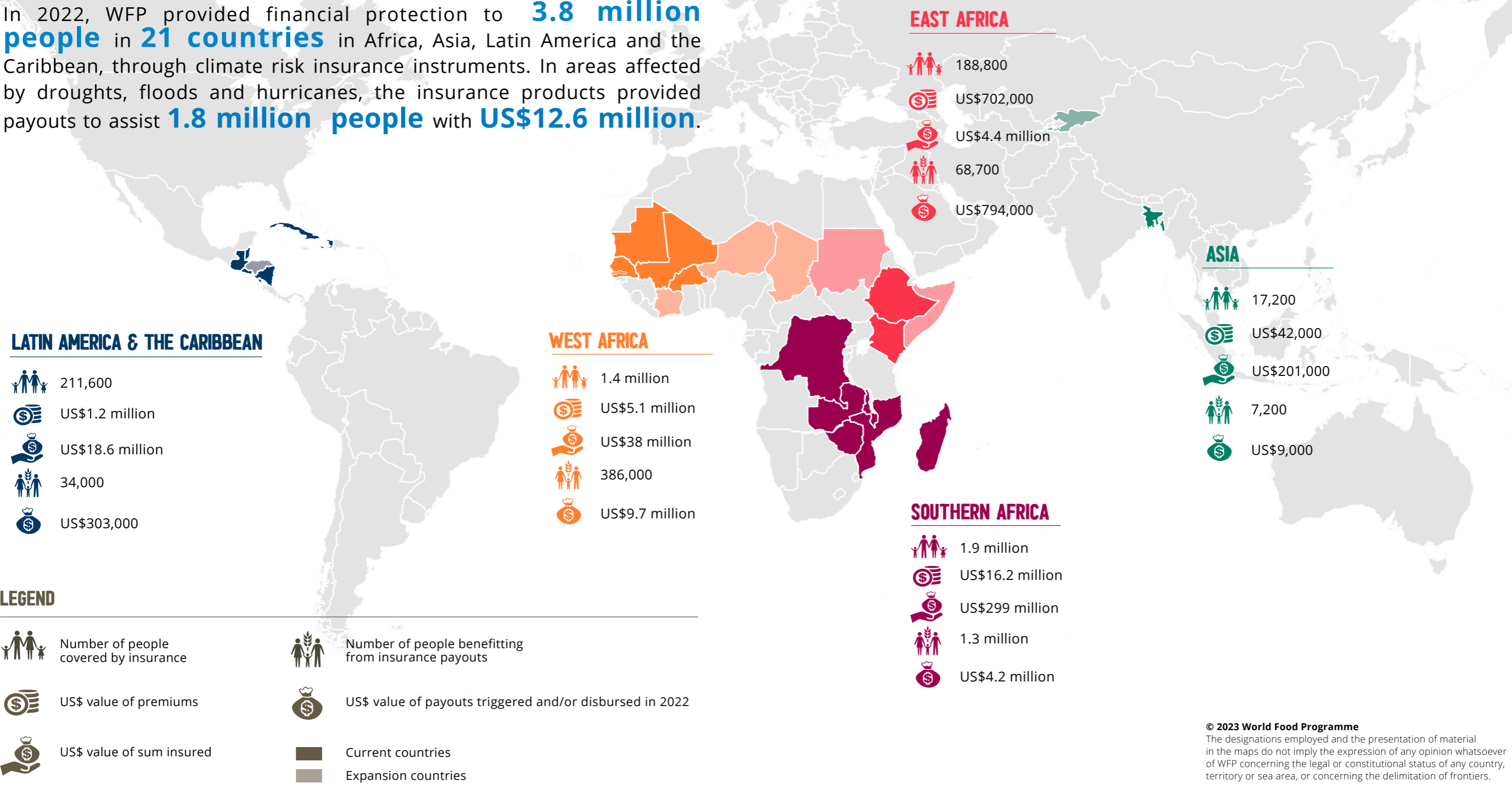
Disaster Risk Finance is very important to the UK as a powerful way of building the resilience of climate-vulnerable countries to shocks. DRF helps to ensure that quick and reliable money is available after a shock for countries and agencies to fund early, more effective and efficient responses that pre-empt damage and help communities recover more quickly. It is also a great way to bring the power of the private sector in to support climate adaptation and resilience.

We are very proud to support WFP to protect some of their most climate-vulnerable country programmes in Africa and now globally alongside Germany – ensuring that money is available for WFP to scale up quickly and support more people when needed. A great example of DRF in action is the US\$15.5 million of payouts WFP has recently received for action in Mali, Burkina Faso and The Gambia.

The new G7/V20 Global Shield against Climate and Disaster Risk opens up huge opportunities to scale up DRF globally – for example, developing consistent protection gap metrics and country ownership, DRF for critical services, more scalable and shock responsive social protection systems and more. DRF for humanitarian agencies is also a real opportunity to help bring the benefits of climate and risk financing to fragile, conflict-affected or food-insecure countries. We are looking forward to watching WFP’s important work in this area grow within Africa and across the world, so that they are able to respond quicker to pre-empt emergencies and protect lives, health and livelihoods.

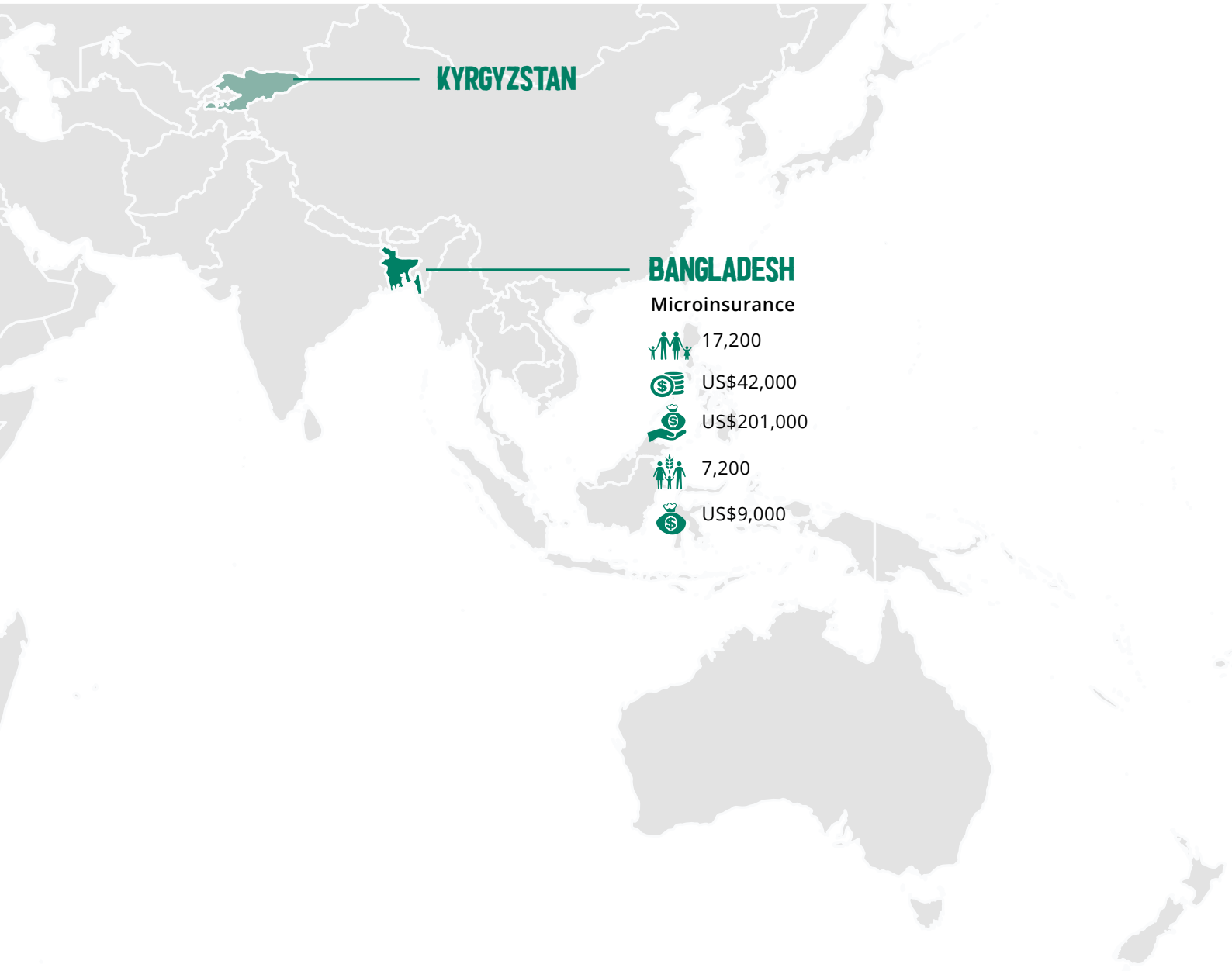
OUR REACH AND SCALE IN 2022

In 2022, WFP provided financial protection to **3.8 million people** in **21 countries** in Africa, Asia, Latin America and the Caribbean, through climate risk insurance instruments. In areas affected by droughts, floods and hurricanes, the insurance products provided payouts to assist **1.8 million people** with **US\$12.6 million**.



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ASIA



LEGEND



Number of people covered by insurance



Number of people benefitting from insurance payouts



US\$ value of premiums



US\$ value of payouts triggered and/or disbursed in 2022




US\$ value of sum insured

Current countries

Expansion countries

BANGLADESH

 With financial support from KOICA

Microinsurance



17,215 people covered with microinsurance



3,443 households insured



US\$42,035 of insurance premium



US\$201,049 of sum insured



US\$9,021 of payouts triggered, benefitting **7,255** people

COUNTRY CONTEXT



Bangladesh is the seventh most vulnerable country in the world to climate-related disasters. Its unique topography and geographical location make it exposed to extreme weather events including cyclones, floods, and storm surges. It is estimated that 14 percent of Bangladesh's Gross Domestic Product (GDP) is exposed to climate-related disasters, and every year, 1.8 percent of the GDP is lost because of these disasters. Over the past 15 years, the annual average total damage to property, infrastructure, agriculture, and other productive sectors caused by floods, cyclones, storms, earthquakes, and other natural risks has been estimated at US\$736 million per year. The impact of natural hazards on food security and nutrition is extremely high. Bangladesh is highly dependent on agriculture and almost half (47 percent) of Bangladeshis are employed by this sector.



Ms. Bobita Begum from Jatrapur, Kurigram purchased a mango tree and two chickens with the money she received as a payout from weather index-based crop insurance in 2022.

© Oxfam/Nafisa Tasnim Khan

CLIMATE RISK FINANCING AND INSURANCE IN BANGLADESH

The financial losses caused by climate-related disasters continue to rise, and developing countries experience the greatest impacts. To protect the marginal population in the event of a disaster and enable them to respond more quickly and resiliently to disasters, insurance has been one of the effective tailored financial protection strategies. WFP Bangladesh has been supporting vulnerable households and smallholder farmers build their resilience against climate risks through an integrated risk management approach. The approach includes several components, including: **climate risk insurance (CRI)** for 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 (SLP)** that aims to enhance understanding of the relationship between seasonality and household economics. Along with AA and SLP, CRI has increased the confidence of beneficiary households through successful implementation and continuously building insurance awareness and trust.

2022 PROGRESS

WFP Bangladesh has been designing and piloting climate risk insurance (CRI) products such as flood index-based insurance for agricultural day labourers, and weather index-based crop insurance for marginalized and smallholder farmers in the country's climate-shock hotspot areas, to build the resilience of the most climate-vulnerable households.

In 2022, WFP Bangladesh worked with partners to successfully develop and implement one flood index-based insurance product for 1,631 agricultural day labourers to cover their income losses due to catastrophic flood and one weather index-based crop insurance product for 1,812 farmers, combining farmers involved in both winter crops and Boro rice seasons. Following excess rainfall during the 2022 season, around 1,451 farmers received a payout under the weather index-based crop insurance for Boro rice. Farmers are now contributing 20-60 percent of their insurance premiums.

In an effort to raise awareness and disseminate knowledge about insurance, local government stakeholders and duty bearers received orientation related to flood and weather index-based insurance products. In addition, WFP Bangladesh continued to share knowledge and technicalities related to CRI with government stakeholders, shared experiences from past interventions, as well as discussing gaps in policy frameworks through several workshops and consultations held during the year.

Key challenges and lessons learned from implementing CRI in Bangladesh include:

- Lack of policies, guidelines and understanding among local stakeholders on CRI. No existence of coordination and/or steering committees to discuss and mobilize CRI.
- Very limited presence of insurance companies in remote locations. Fewer number of private sector players participating in the CRI spectrum and few actuaries for designing the products.
- Limited or no user-friendly policies for the beneficiaries and private insurance companies.

As a way forward, WFP will continue working with government and commercial partners to mainstream CRI, enhance the current products, expand coverage and integrate them with other risk transfer and risk financing tools.

2022 KEY ACHIEVEMENTS



Partnership with Oxfam GB, Green Delta Insurance Company Limited and Gana Unnayan Kendra has been renewed to continue project activities in Kurigram area for index-based insurance products.



There is a strategic collaboration with the Financial Institution Division of the Ministry of Finance (FID) to flourish Climate Risk Insurance across the county as a national scheme through forming a technical Working group.

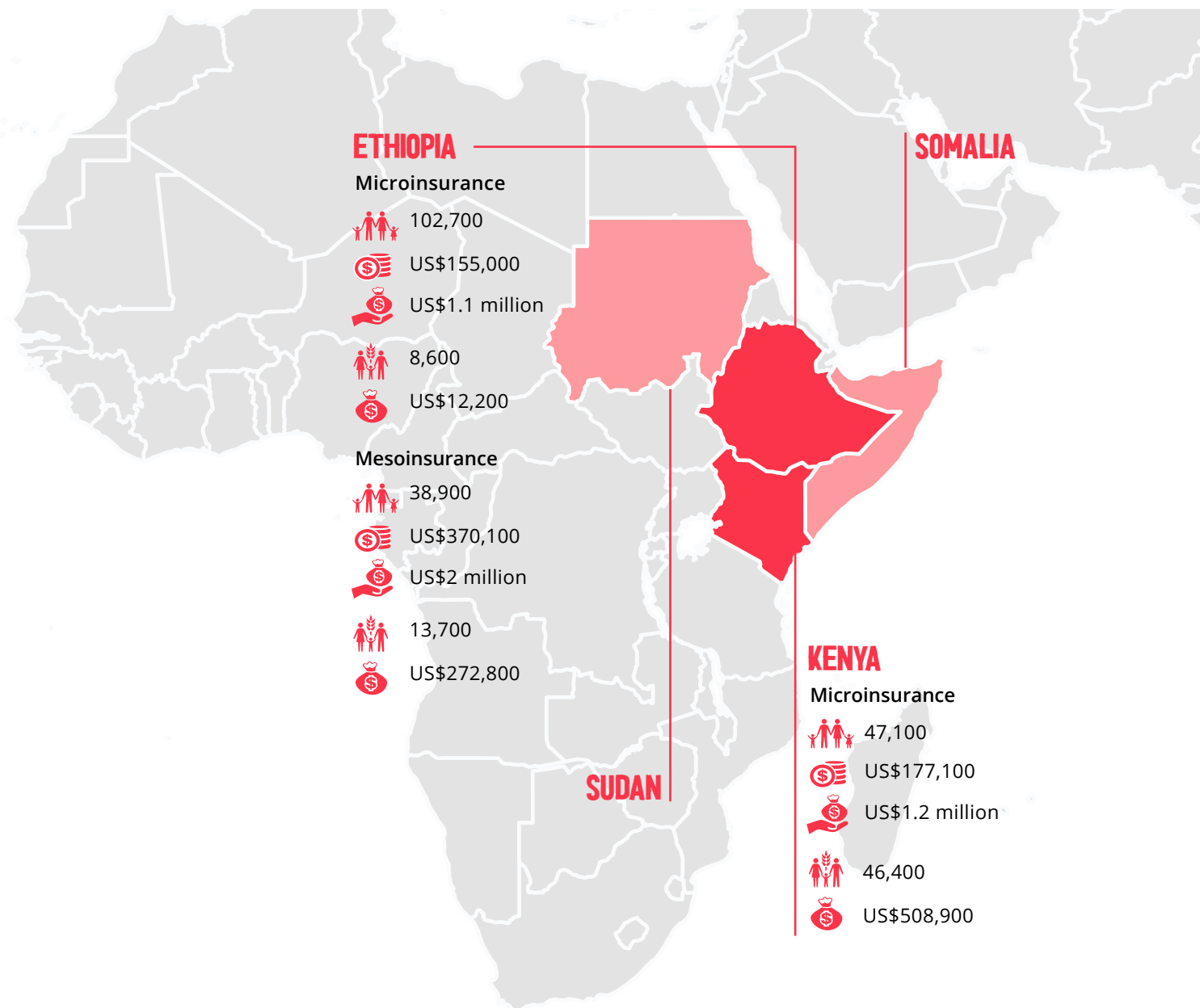


Over 149 participants, including 14 female participants, from partner organizations, government and local stakeholders were trained on climate risk insurance.



In the post-distribution monitoring survey, 99 percent of the respondents expressed their willingness to purchase insurance products in the future, denoting that there is demand for such services at the field level.


EAST AFRICA





LEGEND


- Number of people covered by insurance
- US\$ value of premiums
- US\$ value of sum insured
- Number of people benefitting from insurance payouts
- US\$ value of payouts triggered and/or disbursed in 2022
- Current countries
- Expansion countries

ETHIOPIA


 **With financial support from KfW, SIDA, DANIDA**


 **3,681** participants engaged in financial inclusion initiatives promoted by WFP


 **US\$10,900** of savings made by participants of financial inclusion initiatives promoted by WFP

 **US\$3,775** of loans accessed by participants of financial inclusion initiatives promoted by WFP


Microinsurance

 **102,740** people covered with microinsurance


 **20,548** households insured


 **US\$155,079** of insurance premium


 **US\$1.16 million** of sum insured


 **US\$12,296** of payouts triggered, benefitting **8,610** people


Meso-insurance

 **38,940** people covered with meso-insurance

 **7,788** households insured

 **US\$370,126** of insurance premium

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

 **US\$296,179** of payouts triggered, benefitting **13,725** 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. The majority of households are beneficiaries targeted by Ethiopia's rural social protection scheme, the Productive Safety Net Programme (PSNP) and access microinsurance by engaging in risk reduction activities, such as integrated watershed management measures. 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. Select participants also access loans and technical support for developing their income-generating activities.

2022 PROGRESS

In 2022, WFP Ethiopia experienced several challenges that included the withdrawal of key partners as well as funding availability that affected the implementation of its insurance programmes. Despite this, the R4 programme was able to insure 20,548 households under R4 and 7,778 pastoralist households under SIPE. Under SIPE, severe drought conditions that persisted in 2022 triggered a payout of over US\$296,179 that benefitted over 13,000 people.

Under R4, WFP Ethiopia coordinated with its local insurance partner and Rural Savings and Credit Cooperative (RuSACCO) Unions signing as policy holders and serving as insurance distribution channels in targeted *Woredas* for the risk transfer component of R4. Due to the absence of a cooperating partner in Amhara, the risk reduction, prudent risk taking and risk reserve components of the programme were not implemented during 2022.

To support the onboarding of the newly selected partner, Self Help Africa, WFP conducted a Capacity and Partnership Potential Assessment on RuSACCO Unions to facilitate future insurance policy and payout distributions as well as management of the Credit Guarantee Fund to improve access to credit for target beneficiaries that are diversifying their livelihoods through income-generating activities.

The number of beneficiaries insured for both programmes were reduced due to WFP's cooperating partner and MFI distribution channel of R4 concluding their engagement with R4 in early 2022 and a remaining budget deficit for SIPE. The programmes also faced challenges with high expectations for payouts in communities, delay of payout distribution by the responsible partner, and reinsurance placement due to constraints with foreign currency exchange. The key lesson learnt was that programmes need to integrate a smart subsidy approach that helps households to move towards a graduation pathway to start cash contribution and fully cover their insurance premiums as the project begins to transition to WFP providing less premium support.

2022 KEY ACHIEVEMENTS



R4 subscribed insurance policies for 20,548 smallholder farmer households. Farmers received consumer awareness and sensitization trainings. The insurance premiums were fully paid by WFP through the Insurance-for-Work (IFW) approach.



The International Research Institute for Climate and Society conducted a capacity assessment of the local Index Design Team to identify technical capacity gaps and provide further training.



In partnership with the Somali Regional Bureau of Agriculture and Natural Resource Development (BoANRD) and the Bureau of Livestock and Pasture Development (BoLPD), over 7,700 households were insured under SIPE.



R4 conducted trainings on Management, Governance and Financial Management with local Rural Savings and Credit Cooperatives in three target *woredas* of the Amhara region.

ETHIOPIA

COUNTRY CONTEXT



Ethiopia has faced significant challenges in 2022, the Northern Ethiopia Conflict impacted R4 target areas in the Amhara region, in addition the knock-on effects of the Russian-Ukraine conflict impacted prices of fertilizers and other key inputs for farmers. The high vulnerability of the agricultural sector to climate variability and extremes exposes the whole country and population to the adverse impacts of climate-related risks. As agricultural production systems are almost exclusively rain-fed, pastoralists and smallholder farmers are the most vulnerable populations. Following five consecutive poor rainy seasons, Ethiopia is experiencing the most severe and protracted drought in recent history. Drought is predominantly affecting the Somali, Oromia and Southern Nations, Nationalities and Peoples' (SNNP) regions, but the crisis has impacted the lives and livelihoods of people across the country.

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 coordinated with 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 2022, there was no cooperating partner to coordinate and implement the risk reduction activities due to the unexpected withdrawal of ORDA Ethiopia from the project. WFP conducted a competitive selection process to onboard Self Help Africa (SHA) as a new partner to engage and train communities in watershed management.

In 2023, SHA will implement risk reduction activities and provide relevant input support (materials, tools, etc.) to the PSNP and Integrated Watershed Management Committees to rehabilitate and maintain assets.



RISK TRANSFER

Community sensitization, awareness raising, and beneficiaries' registration were conducted through collaboration between WFP, the local insurance company partner Oromia Insurance Company and RuSACCO Unions to insure 20,548 households. In 2022, there were US\$12,296 of payouts triggered, that benefitted 8,610 people.

The International Research Institute for Climate and Society (IRI) conducted a capacity assessment for the Local Index Design Team (IDT). The purpose of this assessment was to identify the technical capacity gaps of the IDT, further training needs and recommend the way forward. In addition to this, IRI developed new index-designing tools for the 2023 season to support designing and optimizing the indices for the insured kebeles (villages).



RISK RETENTION AND PRUDENT RISK TAKING

To create an enabling situation for the coming Cooperating Partner, a Capacity and Partnership Potential Assessment was conducted on Saving and Credit Cooperative Unions to inform capacity strengthening and training needs for insurance distribution and management of the Credit Guarantee Fund (CGF) that aims to improve access to credit for target beneficiaries to engage in income-generating activities.




R4 also conducted trainings in collaboration with the Cooperative Union offices on RuSACCO Management and Governance and Financial Management in three target Woredas in Amhara region to build the management and operational capacity of RuSACCOs leaders and staff. A total of 147 (74 women) and 48 (3 women) participants attended a three-day training on Governance and Management of RuSACCOs and Financial Management for RuSACCOs, respectively.




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


 **47,120** people covered with microinsurance


 **11,780** households insured


 **US\$177,163** of insurance premium

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

 **US\$508,996** of payouts triggered, benefitting **46,448** people

 **44,839** participants (**75 percent women**) engaged in financial inclusion initiatives promoted by WFP

 **US\$2.7 million** of savings made by participants of financial inclusion

 **US\$2.6 million** of loans accessed by participants of financial inclusion initiatives promoted by WFP

COUNTRY CONTEXT



In 2022, Kenya faced a third consecutive below-average rainy season which resulted in deteriorating food security outcomes driven by the impacts of poor crop and livestock production, resource-based conflict, livestock disease and mortality, and the COVID-19 pandemic. In February 2022, the Kenya Food Security Steering Group (KFSSG)'s annual Short Rains Assessment reported that there were around 3.1 million food-insecure people in pastoral and marginal agricultural areas, a 48 percent increase since August 2021. In February 2022, the short rains crop production in the marginal agricultural areas for all rainfed crops planted was significantly below average, ranging from 35 to 87 percent below the five-year average. Crop production was significantly affected by late-onset, poor temporal distribution, and cumulatively below-average rainfall during the October to December short rains, resulting in a significantly below-average harvest.

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 initially offered crop insurance to vulnerable farmers in the drought-prone semi-arid county of Kitui through farmers' application of risk reduction measures, including the adoption of good agricultural practices. In 2022, WFP Kenya continued to support the R4 initiative in the Semi-Arid Counties of Makueni, Kitui and Taita Taveta and continued to layer Village Savings and Loan Groups (VSLAs) and nutrition messaging as a way of mitigating shocks. In the Arid and Semi-Arid Lands (ASAL) Counties, VSLAs were introduced to support resilience and mitigate shocks with a total of over 2,000 VSLA groups supported.

2022 PROGRESS

The R4 programme faced several challenges and learned some valuable lessons in 2022. Due to payouts from the 2021 season being received late, there was a significant impact on the enrollment of farmers in the programme, which declined by 30 percent. Furthermore, farmers and county governments were dissatisfied with the method used to conduct crop cuts. To avoid similar problems in the future, a key lesson is to continuously train and provide messaging to Village Savings and Loans Associations (VSLA) groups on the crop cut sampling and support group members to visit selected farmers during the process so there is transparency and increased understanding on how the payouts, if any, are determined.

On the other hand, the programme also had some success stories. For instance, in Taita Taveta County, 2,900 farmers were successfully transitioned out of the R4 programme. These farmers paid a 50 percent co-share of their premiums and 50 percent paid through a grant that was not provided by WFP. They were able to register individually, make payments via mobile phones, and receive information on payouts. Overall, the R4 programme has learned valuable lessons that will help it improve its operations and achieve more success stories in the future.

In total, over 11,700 farming households were insured for the 2022 Short Rains season. Farmers are protected against several climate-related risks, including droughts, pests and diseases.

Following a below-average season, over US\$500,000 in insurance payouts were disbursed to 93 percent of insured farmers, benefitting over 46,000 people. Surveys following the payouts distribution revealed that a significant majority of 82 percent of the smallholder farmers were satisfied with the information provided on the crop insurance. Additionally, an overwhelming 96 percent of smallholder farmers who participated in the R4 programme stated that they would enroll in the insurance programme again. These farmers were also willing to make a co-payment in cash for insurance as well as a full payment on graduation.

The payouts provided through the R4 programme proved to be incredibly helpful for smallholder farmers, allowing them to use their payouts to purchase food, enabling them to feed their families and ensure their basic needs were met. Others were able to pay for school fees for their children, which can be a significant financial burden for many families. Additionally, smallholder farmers used their payouts to purchase agricultural inputs for their farms, which can be expensive but necessary investments for many farmers.

2022 KEY ACHIEVEMENTS



Successfully transitioned 2,900 farmers out of the R4 programme in Taita Taveta County. Farmers received a 50 percent premium grant and paid the remaining amount through registering with Village Agents.



A total of 46,448 people benefitted from payouts of differing amounts depending on crops planted and agro-ecological zones as a result of a failed season.



Nutrition messages and Financial Literacy training programmes were integrated into VSLA curriculum.



80 percent of the Village Agents (VAs) are women who support over 400 VSLAs. The programme rolled out the Gender Action Learning System (GALS) targeting the Village agents to ensure inclusivity of the women in decision making.








Members of a Village Savings and Loans Association (VSLA) locking the cashbox in Tata Taveta, Kenya.
© WFP/Michael Goode

WEST AFRICA

MAURITANIA

Macroinsurance






-  71,000
-  US\$1 million
-  US\$4.2 million
-  41,600
-  US\$1.14 million

NIGER

CHAD

MALI






Macroinsurance

-  781,600
-  US\$2.1 million
-  US\$15.7 million
-  224,000
-  US\$7.1 million

CÔTE D'IVOIRE





SENEGAL

Microinsurance

-  360,000
-  US\$449,400
-  US\$6.9 million
-  98,100
-  US\$144,500






THE GAMBIA

Macroinsurance



-  49,900
-  US\$332,200
-  US\$2.7 million
-  US\$187,600

BURKINA FASO








Microinsurance

-  26,100
-  US\$49,900
-  US\$1 million
-  1,400
-  US\$22,100


Macroinsurance

-  179,600
-  US\$1.2 million
-  US\$7.1 million
-  22,100
-  US\$1.18 million


LEGEND


-  Number of people covered by insurance
-  US\$ value of premiums
-  US\$ value of sum insured
-  Number of people benefitting from insurance payouts
-  US\$ value of payouts triggered and/or disbursed in 2022
-  Current countries
-  Expansion countries

BURKINA FASO

 With financial support from BMZ, USAID & ARC Ltd


Microinsurance and ICRM

 **26,131** people covered with microinsurance


 **3,733** households insured


 **US\$49,922** of insurance premium

 **US\$1 million** of sum insured


 **US\$22,120** of payouts triggered, benefitting **1,439** people

Macroinsurance

 **179,642** people covered with macroinsurance

 **US\$1.17 million** of insurance premium

 **US\$7.2 million** of sum insured

 **US\$1.18 million** of payouts triggered, benefitting **21,101** people

COUNTRY CONTEXT



The country has been marked by a fragile security context coupled with political instability. This has led to significant population movements and displacements, directly affecting local economic systems and the livelihoods of displaced communities and host populations. The estimated number of internally displaced persons (IDPs) reached 1.85 million. Of the total IDPs, around 17 percent are male, 22 percent female and 61 percent are children and youth. In addition to insecurity issues, the country is facing the impacts of extreme weather events such as drought and flooding, leading climate-vulnerable populations to lose their livelihoods and increasing their vulnerability. According to the Cadre Harmonisé 2022, more than 2.6 million people need immediate food assistance.

CLIMATE RISK FINANCING AND INSURANCE IN BURKINA FASO

Within the climate and disaster risk financing approach, WFP Burkina Faso implements both macroinsurance and microinsurance programmes. For macroinsurance, each year the country office supports the government with the insurance product customization and Risk Transfer Parameters selection through the ARC Replica Programme. Through this programme, WFP promotes response preparedness through the design of an Operational Plan, which complements that of the government, to facilitate coordinated and complementary actions. In case of a payout, a Final Implementation Plan (FIP) is elaborated linked to other WFP programmes, such as cash-based transfer (CBT), social protection, and nutrition, for better integration in the choice of implementation modality. For microinsurance, the programme is integrated within the resilience activities, specifically through the Food for Assets programme (FFA). Households are sensitized on insurance during the FFA activities. In case of a climate-related shock triggering an insurance payout, beneficiaries receive their payments through either cash or mobile money.

2022 PROGRESS

As part of the microinsurance programme, over 1,400 households received an insurance payout for the 2021/22 agricultural campaign, benefitting over 10,000 people. For the 2022/23 season, over 3,700 households were insured, benefitting 26,000 people. Activities during the year included stakeholders' sensitization, payouts distribution and insurance enrollments. The Government was also engaged to subsidize the premium for WFP beneficiaries. Main challenges with the insurance product included basis risk -the mismatch between the index payouts and the individual insured's loss experience. On the other hand, farmers' engagement to enroll to the insurance programme was very positive.

Under the macroinsurance programme, WFP purchased an ARC Replica policy of US\$1.17 million protecting nearly 180,000 people from catastrophic drought events for the 2022/23 season. Following drought conditions in the 2021/22 season, WFP received a payout that enabled WFP Burkina Faso to assist around 22,000 people in four high food insecurity municipalities. Money received by beneficiaries was mainly used to purchase food, highlighting the importance of the payout in preventing targeted households to face food insecurity.

The security situation posed some challenges in the distribution, with some attacks occurring in municipalities where WFP was implementing the response, leading to the displacement of some beneficiaries to new sites and causing delays in the distribution. On the other hand, bilateral meetings with other WFP programmes to explain ARC Replica helped to mainstream the initiative by increasing involvement of other programmes and enabled distributions to continue despite the displacement challenges. Moreover, the positive evidence generated by the ARC Replica payout offered an opportunity to re-engage with the Government on their uptake of ARC insurance.

2022 KEY ACHIEVEMENTS



On the microinsurance front, positive engagement with the Government to subsidize the microinsurance premium. On macroinsurance, reengagement with the Government to pay ARC premium after the positive evidence generated by the ARC Replica payout.



All the members of the Technical Working Group (TWG) participated in the ARV customization.



Two Final Implementation Plans (FIPs) were elaborated and approved by the Government (one for the 2021/22 season in March and one for the 2022/23 season in December).



This year, over 2,700 farming households were willing to pay their microinsurance premium.

BURKINA FASO



MACROINSURANCE IN BURKINA FASO

Since 2019, WFP engaged with the Government of Burkina Faso to implement macroinsurance for drought through the African Risk Capacity (ARC) Replica initiative. Under ARC Replica, WFP provides technical assistance to the Government in product customization-through the Africa Risk View (ARV) software-and on Risk Transfer Parameter selection in order to define the insurance policy triggers. WFP also engages with the Government in terms of operational readiness, through the contingency planning process. In case of a payout, a Final Implementation Plan (FIP) is elaborated linked to other WFP programmes, such as cash-based transfer (CBT), social protection, and nutrition, for better integration in the choice of implementation modality. The amount of money distributed is aligned with the amount distributed under the national safety net programmes.

Engagement with the Government and regional sovereign risk pool

In 2022, the ARC Replica payout from the 2021/22 growing season enabled WFP to assist over 20,000 food-insecure people through unconditional cash-based transfers across four municipalities in Bam province (Centre-Nord region) where dry spells caused significant crop losses. Thanks to WFP's support, the Government expressed their intent to subscribe for the 2022 policy and rejoin the pool.

WFP works closely with all the members of the Technical Working Group (TWG) in Burkina Faso. The Government organized the ARV customization workshop with the technical support of ARC and WFP; however, this was delayed due to the socio-political instability, which also contributed to the Government not being able to pay its premium before the deadline.

Index customization process and technical capacity strengthening

The hazard model customization was done in Africa RiskView (ARV) by testing four satellite rainfall datasets from ARC in order to identify the most suitable dataset capturing historical droughts, as well as other improved parameters capturing droughts' worst impacts. As a result, ARC2 dataset was replaced by RFE2 data and FAO evapotranspiration data were changed to NOAA data for all the considered crops.

WFP participated in discussions with the Government surrounding the RTP options that were made available by ARC Ltd. A recommendation was made to trial a higher return period in WFP's policy (1 in 5 years rather than 1 in 4), however due to the current requirements for replication, this was not possible.

Policy purchase

WFP conducted an analysis of the RTP options, considering the one selected by the government, in order to advise WFP management whether the product being offered was appropriate for the context. The analysis determined that it was.

WFP therefore signed an insurance policy with ARC Ltd for crop-based drought in Burkina Faso, paying an insurance premium of US\$1.2 million to receive a maximum coverage of US\$7 million.

Operational Planning and Response

An operational plan was developed as part of the contingency planning process before the insurance policy's purchase. After the notification from ARC in March 2022 confirming the insurance payout of US\$1.18m for the 2021/22 season, a Final Implementation Plan (FIP) was elaborated. During the FIP elaboration, several coordination meetings were organized with other WFP units such as cash-based transfer (CBT), Vulnerability, Analysis and Mapping (VAM), Social Protection, School Feeding and Nutrition to ensure integration between the different workstreams.


Moreover, a meeting was organized with the Government to discuss the geographic targeting priorities and the amount of money to be transferred to beneficiaries. This meeting enabled WFP to take the Government's needs into account and align the ARC Replica intervention to the national social protection programme. Prior to implementation, the FIP was submitted for the Government's approval. Following this, WFP was able to implement its unconditional assistance through cash transfers, reaching over 20,000 beneficiaries.







Sensitization with ARC Replica beneficiaries during the cash distribution.

© WFP/Cheik Omar Bandogo

MALI

 With financial support from USAID, KfW, FCDO & ARC Ltd

Macroinsurance

-  **781,666** people covered with macroinsurance
-  **US\$2.15 million** of insurance premium
-  **US\$15.7 million** of sum insured
-  **US\$7.1 million** of payouts triggered, benefitting **224,000** people

COUNTRY CONTEXT



Mali has been facing the combined effects of recurrent droughts, insecurity, and economic shocks, contributing to a gradual deterioration of livelihoods and increased food insecurity among already vulnerable populations. The economic sanctions placed on the Government of Mali by the Economic Community of West African States (ECOWAS), and the impact of the Ukraine crisis, provoked regional inflation, rise in food and fuel prices, and lowered the economic prospects for 2022. This led to an increase in the number of people needing humanitarian assistance — from 5.9 million in 2021 to 7.5 million in 2022. According to initial estimations from the Humanitarian Response Plan (HRP), around 9 million people are expected to need humanitarian assistance in 2023.

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 bought macroinsurance policies since 2019 to provide financial protection to climate-vulnerable communities against catastrophic drought events.

2022 PROGRESS

In 2022, activities focused on the ARC Replica 2021/2022 pre-lean season interventions, following the payout of US\$7.1 million received from the 2021/2022 season; and on strengthening the capacity of the ARC Technical Working Group (TWG).

The ARC Replica payout-funded interventions enabled WFP to protect over 200,000 of the most vulnerable people in Mali affected by failed harvests. Interventions included early food assistance through cash transfers, nutritional support and services, and community asset building programmes to support improved resilience in the next growing season.

Under the capacity strengthening activities, three field missions were conducted throughout the year to collect field data during the rainy 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. These missions were then followed by two workshops to analyze and compare field data with Africa Risk View (ARV) software data. Two key workshops were also conducted related to the coordination of the 2022 Final Implementation Plan (FIP) and the planning of 2023 FIP.

Due to extensive drought impacting the 2022/2023 agricultural season, Mali suffered from crop failures which resulted in an ARC Replica payout of US\$8 million. This payout will enable WFP to assist affected people in 2023 through shock-responsive social safety nets in the form of unconditional cash transfers, food assistance support and nutritional assistance.

2022 KEY ACHIEVEMENTS



WFP signed a drought insurance policy for the 2022/2023 agricultural season, with WFP protecting over 780,000 people against catastrophic drought.



WFP provided technical equipment to the ARC TWG during an important event co-lead by the Minister of Food Security Council and WFP Country Director.



As part of the capacity strengthening work of the ARC TWG, a number of missions and workshops were conducted in 2022, including Africa Risk View (ARV) workshops, Final Implementation Plan (FIP) workshops, and field data collection to assess the agricultural season.



Three main activity categories are included in the 2022/2023 Final Implementation Plan (FIP), namely: social protection; food assistance support; and nutritional assistance.



Signature of the 2022 workplan between WFP and CSA.

© WFP/Mali CO

MALI



MACROINSURANCE IN MALI

WFP Mali implements macroinsurance programmes through ARC Replica. Since 2019, WFP Mali has been buying 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.

Engagement with the Government and regional sovereign risk pool

There is a strong collaboration between the Government of Mali and WFP. A joint workplan between WFP and the Food Security Commission (CSA) is established yearly to define the activities and monitor progress. This year, an important event co-led by the Minister of Food Security Council and the WFP Country Director was held to officially sign the 2022 workplan between WFP and CSA and provide essential equipment (laptops) to the ARC Technical Working Group (TWG) so they can engage better with Africa Risk View (ARV) drought-modelling software and take better ownership over its customization.

As part of the capacity strengthening work of the ARC TWG, three field missions were conducted throughout the year to collect field data during the rainy season. These missions were followed by two workshops to analyze and compare field data with ARV software data. Overall, monitoring of the rainy season has resulted in improved coordination between the Government and WFP on preparedness and response.

Collaboration through the payout has also taken place, through the design of complementary Final Implementation Plans of the Government and WFP. Two key workshops were conducted throughout the year, one related to the coordination of 2022 FIP and the other one for the planning of the 2023 FIP, which included taking stock of 'lessons learned' to reflect on the 2022 FIP and response, and make improvements for 2023.

Index customization process and technical capacity strengthening

WFP provided continuous technical support to the ARC TWG, including through the rainy season monitoring missions and ARV workshops. Main changes to the Risk Transfer Parameters (RTPs) included an increase of WFP's premium from US\$1 million to US\$2.15 million and the change from one in four-year to one in five-year return period, to enable a more efficient policy with the potential for larger payouts. As a lesson learned, the provision of yearly technical trainings on the ARV to TWG members is highly encouraged to strongly develop their ability to use ARV autonomously.

Policy purchase

After the ARV customization and RTP selection, WFP purchased a policy with an insurance premium of US\$2.15 million, providing financial protection of US\$15.7 million to over 780,000 people for the 2022/23 agricultural season.

Operational Planning and Response

The 2021/2022 ARC Replica payout-funded interventions enabled WFP to: provide early food assistance through cash transfers to 160,000 women, men and children affected by climate shocks; provide nutritional support and services to over 20,000 children aged from 6 to 23 months, and pregnant women and breastfeeding mothers; and lastly, to reinforce communities' resilience to climate shocks, 23,000 people have benefited from community asset building programmes such as pastoral wells, water towers and fishponds.

An assessment with Tufts University was initiated in 2022 to gather more evidence around the added value and effectiveness of the ARC Replica-funded early response compared to regular lean season support, the findings of which will be shared in the upcoming year.

Following the triggering of the 2022/23 ARC Replica payout, WFP worked with the Government to plan the payout-funded interventions. A workshop took place in October 2022 with Government stakeholders, ARC TWG members, and WFP. Three main activities will be implemented under the 2023 FIP:


1. **Social protection:** Shock-responsive social safety nets in the form of an unconditional cash transfer to directly support incomes.
2. **Food assistance Support:** Unconditional food assistance (three months cash-based transfers).
3. **Nutritional assistance** so that households can cover the specific nutritional supplement needs of children aged 6-23 months, pregnant and breastfeeding women.

Overall, ARC Replica payouts have provided an opportunity for integration between different WFP units and workstreams, including, food assistance, social protection, nutrition, as well as strengthening linkages with the Government's social protection systems.


MAURITANIA


 With financial support from KfW, FCDO & ARC Ltd

Macroinsurance

 **71,645** people covered with macroinsurance

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

 **US\$4.2 million** of sum insured between two insurance policies for different types of drought

 **US\$1.14 million** of payouts triggered, benefitting **41,622** people

COUNTRY CONTEXT



As per the November 2021 Cadre Harmonisé analysis exercise, the Government of Mauritania estimated that over 600,000 people would face acute food insecurity during the 2022 lean season period. This figure further rose to over 800,000 at the time of the March 2022 Cadre Harmonisé analysis.

Out of an estimated 700,000 people prioritized under the 2022 National Response Plan (PNR), more than 442,000 people were assisted by the Government (63 percent of the total caseload), while 235,000 people were served by WFP (33 percent), and the remaining 4 percent received assistance from other actors. Key factors leading to the high humanitarian caseload as part of the 2022 lean season were the knock-on effects of the COVID-19 pandemic in tandem with rising inflation for both food and non-food commodities as well as with below-average rainfall conditions.

CLIMATE RISK FINANCING AND INSURANCE IN MAURITANIA

The Government of Mauritania has been taking out sovereign insurance for drought with ARC since 2014, and WFP has been replicating this insurance since 2019 through the ARC Replica programme. The ARC drought insurance has covered farmers since 2014 and livestock keepers since 2021. ARC Replica is embedded in WFP Mauritania Country Strategic Plan (CSP), particularly under Strategic Outcome 2, Activity 2: Unconditional Cash Assistance, and Strategic Outcome 4, Activity 5: Livelihoods Support.

2022 PROGRESS

Through the ARC Replica initiative, WFP has been supporting the Government of Mauritania since 2018 in optimizing its drought insurance. WFP provides technical assistance on product design, including index customization, defining risk transfer parameters, as well as working together with the Government on emergency preparedness and response through the contingency planning processes.

Following drought conditions during the 2021/22 agricultural season, WFP Mauritania received payouts of US\$1.1 million, benefitting over 41,000 people. These payouts were triggered from the 2021/22 insurance policy that WFP and the Government had purchased in 2021, which covered droughts affecting crops. ARC Replica payout funds were used for the large-scale 2022 lean season response, focusing on cash-based transfers in areas classified as most-affected as per the November 2021 and March 2022 Cadre Harmonisé analysis exercises. Over 50 percent of targeted beneficiaries for the ARC Replica-financed pre-lean season response were women.

Main activities during the year under the payout-funded response and technical assistance included: organization of district-level workshops to determine commune-level lean season beneficiary caseloads; household-level complementary targeting and household-level verification against the Social Registry's list; verification of beneficiary lists between WFP and its Cooperating Partners; conducting pre-lean season data collection exercises, including baseline and post-distribution monitoring (PDM); carrying out monthly cash distributions; and organization of a national-level workshop to review disaster risk profiling and ARC Replica Strategy in Mauritania.

According to the 2022 pre-lean season PDM results, surveyed households reported that they resorted to less and less severe livelihoods-based coping strategies during this period thanks to the ARC Replica assistance. In addition, the majority reported that the assistance was received on time and provided in a dignified manner.

2022 KEY ACHIEVEMENTS



According to the Consolidated Approach to Reporting on Food Security (CARI) indicator, following the ARC Replica intervention, there was a slight upward shift in the overall food security situation of surveyed households between the baseline and the Post Distribution Monitoring (PDM) period, with slightly fewer households being classified as *severely* food insecure, decreasing from 15.8 percent to 11.7 percent.



The pre-lean season response financed by ARC Replica was coordinated by the Specialized Working Committee - *Comité de Travail Spécialisé* (CTS) for food security and social safety nets as part of the Response Coordination and Implementation Committee - *Comité Coordination et de Mise en œuvre de la Réponse* (CCMR) - which is the coordination and implementing mechanism for the National Mechanism for the Prevention and Response to Food and Nutritional Crises (DCAN). All 2022 lean season processes and tools were harmonized and used by all actors as part of the response.

MAURITANIA



MACROINSURANCE IN MAURITANIA

Mauritania is amongst the pioneer countries for ARC Replica and has been taking out ARC Replica policies since 2019. During this period, WFP has provided ongoing technical assistance for the customization parameters for the insurance indices (for crop insurance and more recently for rangeland insurance as well). This has further involved replicating the national drought insurance policy to maximize its coverage. At the request of the Government, one of WFP's main areas of work has been to assist with the introduction, customization, and purchase of the rangeland insurance, which is critical in Mauritania given the largely pastoral context. All technical work has been undertaken by the National Technical Working Group, which not only calibrates the insurance parameters but also continuously monitors and compares high-resolution and very high-resolution satellite imagery and rainfall data collected from across the country to inform early warning systems as well as signal when bad seasons (agricultural or pastoral) are unfolding.



ARC Replica beneficiary receiving pre-lean season assistance.

© WFP Mauritania/
Partnerships and Communications Unit

Engagement with the Government and regional sovereign risk pool

WFP maintains a strong collaboration with the Government of Mauritania and ARC through the ARC Replica programme, including by providing technical assistance on improving the insurance product and monitoring the season as part of the early warning system (EWS). The payout-funded response implemented in 2022 provided an important opportunity for strong collaboration between WFP and the Government. Several workshops and coordination meetings were organized to determine targeting and implementation procedures. Moreover, the Government led a 2022 lean season lessons learned workshop in mid-December 2022, where WFP participated and co-facilitated.

Index customization process and technical capacity strengthening

In 2022, WFP continued to provide its expertise to improve the customization of the indices and the selection of risk transfer parameters. WFP's support was of particular relevance for the revision of the customization of the pastoral index for the 2022 insurance contract.

Policy purchase

For the 2022/23 agricultural season, WFP purchased two insurance policies for drought in Mauritania, covering risks to both crops and pastoral lands. The two policies provided a maximum coverage of US\$4.2 million to protect over 70,000 people.

Operational Planning and Response

Within the scope of the National Mechanism for the Prevention and Response to Food and Nutritional Crises (DCAN) the food assistance and safety nets specialized group finalized the modalities and tool review for the 2022 pre-lean season response in April 2022. The existing targeting and delivery tools—harmonized between humanitarian and shock-responsive safety-net programmes—were further enhanced in 2022 by determining the number of beneficiaries at the commune level (rather than the department level) and including targeting criteria for semi-urban localities. The monthly ration was maintained at 450 MRU per person (covering 98 percent of food needs). WFP's geographical areas of intervention were prioritized based on the following criteria: i) the prevalence of malnutrition; ii) the percentage of the population in IPC Phase 3 - crisis; and iii) the geographical zones already in crisis prior to the peak of the lean season.


ARC Replica payouts were used for pre-lean season assistance in May 2022 in the departments of Aioun and Maghama. These two departments were targeted as priority for pre-lean season response, because they were classified as already being in IPC Phase 3 - Crisis as per the November 2021 Cadre Harmonisé analysis. One cash distribution (via cash-in-envelope) was conducted in May 2022, covering the period of April and May 2022, reaching over 41,000 people, against an initial target of over 32,000 people. WFP reduced the total transfer provided to households who were also targeted as part of the Government's Tekavoul programme. By applying this reduction, WFP was able to serve a higher caseload. Between the 2022 pre-lean season assistance (covered using the ARC Replica payout) and the normal lean season assistance, beneficiaries received assistance for a total of six months. ARC Replica funding allowed for the pre-lean season response for these households as part of the larger response that brought together resources from multiple donors.

Overall, the ARC Replica response took place during the planned period. However, the household-level complementary targeting and verification process at the commune-level took longer than initially anticipated, largely due to the Ramadan period -making it difficult to gather people as well as limited working hours-and the complementary targeting criteria were very specific-thus making it difficult to identify people who responded to the criteria and resulting in an expanded geographical scope.


One key lesson learned is to ensure that community-based targeting criteria are neither too restrictive nor too broad. In the case of the 2022 targeting, the criteria were extremely restrictive, making it extremely difficult to identify beneficiaries who met the criteria. To mitigate this, WFP will be working alongside the Government ahead of the 2023 lean season period to adjust the community-based complementary targeting criteria as necessary.


Based on the Post Distribution Monitoring (PDM) data, food security indicators increased slightly between the baseline and PDM, with the number of households classified as having acceptable food consumption increasing from 31 to 41 percent between the two assessments in Aioun and from 67 to 69 percent in Maghama.


SENEGAL

 With financial support from GCF


Microinsurance and ICRM


 **360,000** people covered with microinsurance


 **41,500** households insured


 **US\$449,488** of insurance premium

 **US\$6.9 million** of sum insured

 **US\$144,508** of payouts triggered in 2021/22, benefitting **98,118** people

 **24,000** participants engaged in financial inclusion initiatives promoted by WFP

 **US\$ 430,900** of savings made by participants of financial inclusion initiatives promoted by WFP activities

 **US\$228,700** of loans accessed by participants of financial inclusion initiatives promoted by WFP

COUNTRY CONTEXT



Despite being a stable and democratic country, Senegal still suffers from high levels of hunger, ranking 71st out of 121 countries in the 2022 Global Hunger Index. The country is vulnerable to various natural hazards, including coastal erosion, droughts, and floods, among others. Moreover, the crisis in Ukraine created difficulties for the beneficiary communities, including with regard to access to agricultural inputs, the increase in the prices of goods on local markets and transport, and higher charges for the use of agricultural machinery due to the rising cost of oil-related products.

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), market gardening, and climate services,- risk transfer through microinsurance, risk reserves and prudent risk taking through savings, livelihoods diversification and easier access to credit. Under the risk reduction component, participants participate in the creation and rehabilitation of community assets and receive seasonal forecasts, weather alerts and agricultural advice to help them plan and make the best decisions in their agricultural activities, such as choice of crops and varieties. These efforts, which aim to increase farmers' capacity to adapt to climate change, are reinforced by the transfer of risks to an insurer for the most catastrophic and less frequent shocks. Two insurance solutions are offered, including weather or area yield index insurance. Policies are delivered through Savings for Change (SfC) associations. Small-scale savings help farmers to manage the most frequent and less intense shocks within the household, but also to invest in income-generating activities. Savings and credit allow the transition from subsistence farming to commercial farming, by connecting them to markets and other larger-scale buyers or WFP-supported school meals programmes.

2022 PROGRESS

This year, the National Insurance Company of Senegal (CNAAS) took the lead in the insurance product design, working together with Pula Advisors. As in previous years, drought risk was selected as the main risk to be covered in order to secure the investments and income of beneficiaries. Given the Senegalese agricultural context, characterized by a large number of small, widely dispersed farms, the index insurance design was chosen to allow for a large coverage area and to ensure that the insurance product was financially accessible to farmers. Two types of insurance solutions have thus been developed, namely: drought insurance based on rainfall data; and hybrid rainfall/ area yield index insurance.

Training and awareness sessions were held for farmers and partners on the insurance products. As expected, all the households participating in the creation and rehabilitation of the assets have subscribed to the agricultural insurance product. In line with the implementation of the graduation strategy, farmers contributed to the premium through their savings. Compared to last year, the percentage of women who participated in insurance activities increased slightly. Moreover, thanks to the insurance sensitization sessions, farmers not targeted by the project in the same intervention areas decided to subscribe to the insurance product by paying themselves the premium.

Among the key lessons learned this year are:

- Training and sensitization of farmers on insurance must be carried out on a sustained basis, with very regular sessions and permanent multiplication sessions, to improve understanding of insurance products and their management.
- The need to develop indices that consider not only drought, but also other risks affecting farmers' yields, such as flooding, pests and disease.

2022 KEY ACHIEVEMENTS



Nearly 22,000 households paid for their insurance premium fully in cash.



Weather alerts in local languages were provided to over 3,000 farmers twice a week for the duration of the agricultural season.



Over 138 farmers trained on insurance products, their functioning and management process and over 500 farmers reached during awareness-raising sessions.



Number of savings groups amounted to over 900.




R4 beneficiary Fanta watering her garden in a rural village of the Kolda region, Senegal.


© WFP/Nouha Drame (independent photographer based in Kolda)

THE GAMBIA


 With financial support from KfW, FCDO & ARC Ltd

Macroinsurance

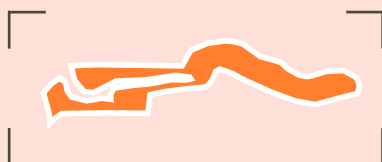
 **49,902** people covered with macroinsurance

 **US\$332,245** of insurance premium

 **US\$2.74 million** of sum insured

 **US\$187,600** of payouts triggered for implementation in 2023.

COUNTRY CONTEXT



The economy of Republic of The Gambia was greatly affected by the COVID-19 pandemic which disrupted trade and tourism sectors, among others. The supply chain disruptions by the war in Ukraine, coupled with the recent floods, also contributed to the high commodity and fertilizer prices leading to negative impact on food accessibility by the most vulnerable. Furthermore, the 2022 rainfall season underwent more variability than in the 2021 season, with events such as early to normal onset of rains, late or normal withdrawal of rains and short to average dry spells leading to sowing failure in some parts of The Gambia.

CLIMATE RISK FINANCING AND INSURANCE IN THE GAMBIA

WFP The Gambia has been supporting the Government on disaster risk financing since 2019, through the ARC Replica programme. Under ARC Replica, WFP buys an insurance policy for drought risk from ARC Ltd to protect climate-vulnerable communities against catastrophic drought, with the possibility for a payout to fund interventions including crisis response, nutrition supplementation, and Food for Assets (FFA) activities. WFP The Gambia has also initiated the implementation of a microinsurance programme with the signing of a contract with the National Agricultural Insurance Company of Senegal (CNAAS) to develop the capacity of local stakeholders and support the roll-out of the microinsurance scheme. The country is also developing a Disaster Risk Financing strategy, led by the National Disaster Management Agency (NDMA).

2022 PROGRESS

Under the microinsurance component, WFP The Gambia signed a contract with the National Agricultural Insurance Company of Senegal (CNAAS) for the implementation of a microinsurance scheme in The Gambia. The implementation of the microinsurance component will commence in 2023, with this year mainly focused on conducting preparatory activities.

Under the macroinsurance component, WFP The Gambia participated in the ARC Replica programme for the fourth consecutive year. WFP purchased drought insurance for the 2022/23 agricultural season, protecting nearly 50,000 people from catastrophic drought conditions.

The rainfall distribution within the sowing window of the 2022/2023 season was characterized by poor performance in parts of The Gambia that led to failure in planting. As a result, ARC Ltd announced a payout to the Government and WFP for the first time in The Gambia. WFP received an insurance payout of US\$187,600 that will enable WFP to assist more than 5000 people with unconditional cash transfers.

Throughout the year, WFP continued its regular engagement with the Government through the ARC Technical Working Group (TWG), including during the index customization process, seasonal monitoring and elaboration of the Final Implementation Plan (FIP).

WFP The Gambia also participated in the ARC Replica Annual Learning and Planning workshop in May 2022 to share knowledge and lessons on country experiences as well as discuss how to continue strengthening the ARC mechanism and its role in broader disaster risk financing with all stakeholders participating in the ARC Replica programme.

2022 KEY ACHIEVEMENTS



WFP purchased the ARC Replica insurance policy to cover farmers in the event of drought for 2022/2023 season, protecting nearly 50,000 people.



The tripartite MoU was renewed between WFP, The ARC Agency and the Government of The Gambia. WFP has been collaborating with NDMA in the ARC Replica programme including participating in the TWG.



WFP participated in ARC TWG group meetings organized by NDMA to discuss the season, as well as discussing the failed 2022/2023 planting season, the response, and the development of the Final Implementation Plan.



The ARC Replica Final Implementation Plan (FIP) was developed in collaboration with the TWG led by NDMA.

THE GAMBIA



MACROINSURANCE IN GAMBIA

WFP has been purchasing ARC Replica insurance in The Gambia since 2019 in support to the government's risk transfer initiative on macro-parametric insurance coverage for drought-related risks. WFP replicates the Government insurance policy by buying a similar policy to that of the Government. WFP is a member of the ARC Technical Working Group and actively participates in the meetings to discuss drought-related issues, trainings, development of operational plans as well as the final implementation plans.

Engagement with the Government and regional sovereign risk pool

WFP regularly engages with the Government through the National Disaster Management Agency (NDMA) regarding the ARC Replica programme, specifically through the TWG and ad hoc meetings to discuss drought situations, crisis response, preparation of the operational plan and the final implementation plan, Africa Risk View (ARV) customization, and any other activity related to macroinsurance coverage.

The relationship between WFP and 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.

Index customization process and technical capacity strengthening

The Government, through NDMA, organises workshops for the TWG to work on the country's risk profile and customization of ARV. WFP provides technical support during the ARV customization and selection of risk transfer parameters.

For the 2022/23 season, the Government was reluctant on the purchase of ARC's macroinsurance policy because there had been no payout for drought in The Gambia since the product was introduced. However, after extensive revisions to the country's risk profile and ARV customization in 2022, the 2022/23 season triggered a payment as it was able to adequately capture the prolonged dry spell that caused planting failure in the country. The lesson learned is that it is important to ensure the risk profile and model underpinning the insurance policy are as accurate as possible to ensure that there is a payout when significant drought is experienced.

Policy purchase

For the 2022/23 season, WFP purchased a drought insurance policy from ARC Ltd., with a premium of over US\$330,000 that provided a maximum coverage of US\$2.7 million, protecting nearly 50,000 climate-vulnerable people from drought.

Operational Planning and Response

Following the confirmation of the insurance payout after the failed 2022/23 planting season, WFP developed the Final Implementation Plan in close coordination with the Government. The payout-funded interventions will include unconditional cash transfers targeting selected vulnerable households in 2023.

As part of WFP's efforts to ensure gender equality and women's empowerment in all its programmes and operations, under the ARC Replica payout-funded intervention, households headed by women are prioritized during the cash distribution for food assistance to ensure women have control over the purchase of food commodities. This is in line with The Gambia's National Women's Council Act.



Farmer watering her garden in The Gambia.

© WFP/Mamadou Jallow



STORIES FROM THE FIELD

Mali: Safeguarding food security and building resilience through macro-level financial protection

Fatoumata Tangara is a 35-year-old farmer living in Mopti, a region in central Mali very prone to climate variability and shocks. Many people in the region are subsistence farmers whose livelihoods and food security depend on the erratic weather.

"The rainy season is different from before. The rains come late and leave early, the rains are not enough, and life is hard without them" says Fatoumata.

Southern Mali is no different. Aïssé Camara, a 45-year-old widow living with her two children in the village of Bouly in Nioro, a region in southern Mali, explains the challenges faced by people in her community *"The lack of water is the current problem. We must travel quite a distance to get water during a certain time of the year. Before the soils were good, it rained frequently, and good harvests were made. The rains are rare now, and the soil is no longer as fertile as it once was."*

Agriculture is the main source of livelihoods, but as climate variability increases, Aïssé and her community are experiencing more and more poor harvests.

Hatouma Diawara lives in the same village of Bouly. She is a 75-year-old widow living with one of her daughters-in-law. Hatouma is also experiencing the negative impacts of the climate crisis *"I used to grow okra and niébé. However, due to the drought, my crops have been damaged. And therefore, the small yield is only for consumption"*, says Hatouma.

To ensure the food security of people like Fatoumata, Aïssé and Hatouma and build their resilience against



Fatoumata Tangara in her village.
© WFP Mali/Aboubacar Sidibe



Aïssé and her children.
© WFP Mali/Aboubacar Sidibe

increasing climate shocks, WFP provides them with macro-level financial protection through the Africa Risk Capacity (ARC) Replica initiative.

ARC Replica is an innovative approach to climate risk management aimed at helping governments improve their capacities to plan, prepare for and respond to disasters caused by extreme weather events. Through ARC Replica, WFP partners with national governments and regional risk pools to purchase an insurance product to finance WFP's operations when a climate shock triggers an insurance payout. This enables WFP to protect the most vulnerable against catastrophic climatic events.

WFP Mali has been implementing ARC Replica since 2018. Through ARC Replica, WFP Mali strengthens the Government's capacity to manage climate-related shocks by reinforcing national social protection systems and programmes. Following the worst drought Mali had experienced in five years during the 2021/22 season,

ARC Replica is an innovative approach to climate risk management aimed at helping governments improve their capacities to plan, prepare for and respond to disasters caused by extreme weather events.

WFP received a payout from ARC that provided US\$7.1 million to support over 200,000 people in drought-affected regions. This insurance payout enabled WFP to provide emergency support and implement resilience building activities to the most vulnerable populations in 2022.

The cash transfer received from WFP under the ARC-Replica payout-funded response has helped people like Fatoumata, Aïssé and Hatouma better cope with the adverse impacts of the drought. *“Without the aid we received, our situation would have been difficult because women would have continued to cut wood to cover small expenses, but the aid enabled us to breathe”,* says Fatoumata.

The assistance was fundamental in guaranteeing the food security of the most vulnerable and food-insecure people. *“We had nothing to eat due to the poor harvest, so I used the money I received from WFP to buy food for my family”,* says Aïssé.

Beyond feeding her family, Hatouma used the cash transfer to also purchase a solar panel and battery *“When I received the cash transfer, I was so happy. I used the money to buy 50 kg of maize, and with the remaining, I purchased a solar panel with its battery”.*

Extensive drought conditions have impacted farmers in West Africa also during the 2022/23 season. As a result, WFP is receiving payouts from ARC of US\$8 million for Mali, US\$7.2 million for Burkina Faso, and US\$187,600 for The Gambia to assist affected populations with cash transfers and nutritional support.

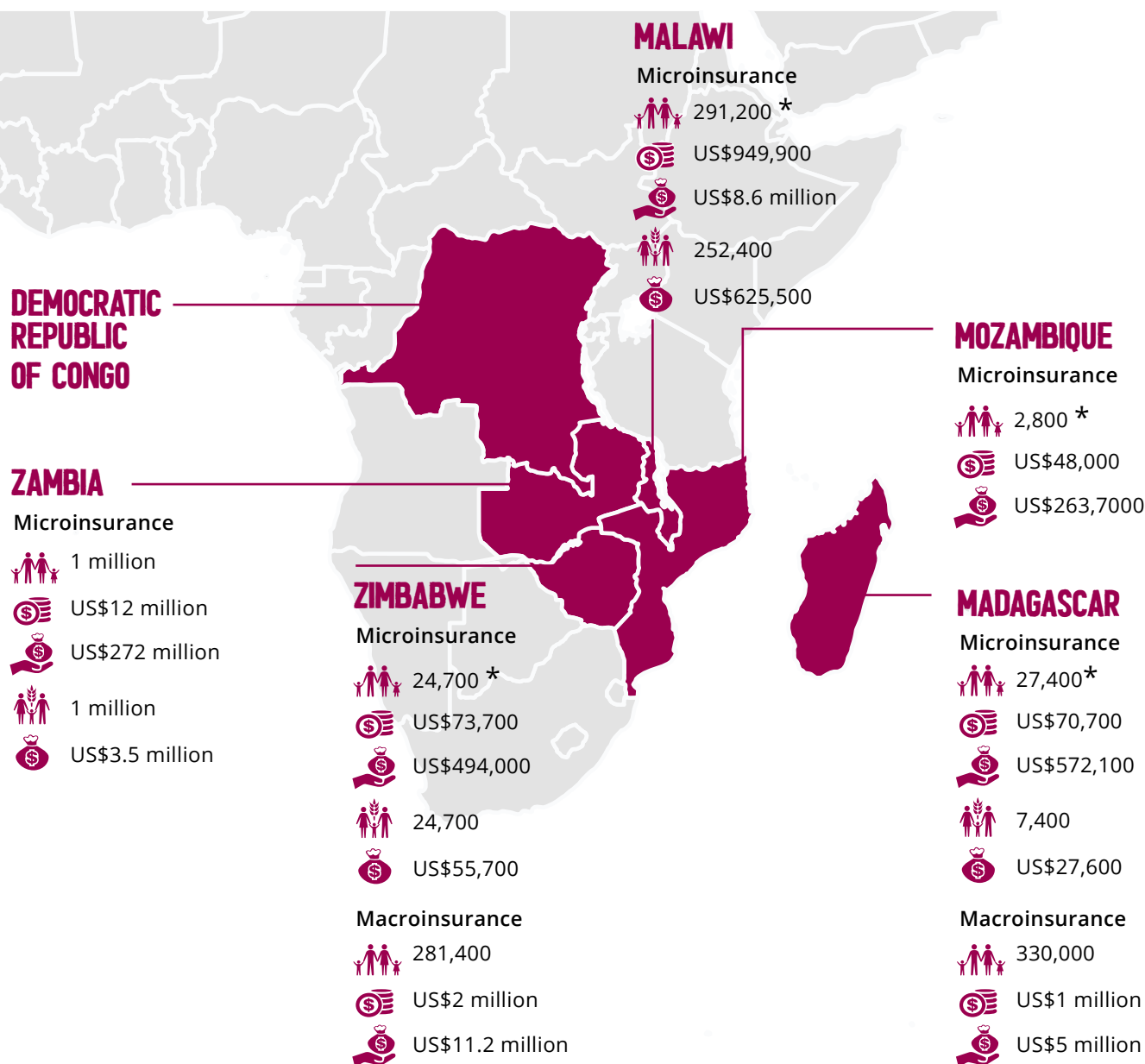


Hatouma and her grandchild.
© WFP Mali/Aboubacar Sidibe








“Communities in Mali contribute very little to the climate crisis, yet the impacts are forcing them into a food crisis,” says Eric Perdison, WFP Country Director in Mali. *“This funding will enable WFP to reach hundreds of thousands of food-insecure people affected by climate-induced negative impacts, with cash and nutrition assistance.”*

Since 2019, WFP has protected 4.8 million people in six African countries with insurance policies from ARC. To date, WFP has received eight payouts totalling US\$25.4 million for five countries, which provided cash and food assistance, nutrition support and emergency asset creation to more than 790,000 people.

SOUTHERN AFRICA



LEGEND

-  Number of people covered by insurance
-  Number of people benefitting from insurance payouts
-  US\$ value of premiums
-  US\$ value of payouts triggered and/or disbursed in 2022
-  US\$ value of sum insured
-  Current countries
-  Expansion countries

* Microinsurance figures for Madagascar, Malawi, Mozambique and Zimbabwe refer to the 2021/22 season, with insurance premium paid in 2022.

DEMOCRATIC REPUBLIC OF CONGO

With financial support from the World Bank

COUNTRY CONTEXT



The Democratic Republic of Congo (DRC) is a resource-rich country with considerable potential for development. The country's endowment of natural resources includes the world's largest diamond reserves, major reserves of other minerals, more than 80 million ha of fertile and arable land, and 52 percent of all freshwater resources in Sub-Saharan Africa. Despite its rich endowments, the DRC is one of the world's poorest countries. The country remains in a context of protracted crisis and conflicts, with devastating impacts on livelihoods and the economy. Food and nutrition security in the DRC are subject to the relentless impact of conflict, epidemics and climate events that have persisted in the country for decades. DRC's agricultural sector is particularly exposed to climate change and other external shocks as droughts, floods, and other extreme weather events are expected to increase in frequency and severity.

WFP'S TECHNICAL ASSISTANCE TO THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF CONGO

In 2022, WFP, with the financial support from the World Bank (WB), initiated its capacity building support to the Government of the Democratic Republic of Congo (GDRC) under the National Agriculture Development Program (NADP). The NADP is a US\$1.5 billion programme covering 16 provinces in the DRC over 15 years, aiming to (a) enable smallholder farmers to transition from mainly subsistence farming to smallholder commercial farming and (b) promote private investment in commercial agriculture for domestic and regional markets. Under this programme, farmers are required to provide their own counterpart contribution to receive the direct financial support planned in the NADP to promote the adoption of Climate Smart Agriculture (CSA). The programme also includes a risk-transfer mechanism to safeguard smallholder farmers' counterpart contribution in the event of climate-related shocks.

WFP, with its experience and comparative advantages in the field of climate risk insurance for food-insecure households, in addition to the constant support via its country office to GDRC on improving food and nutrition security and the resilience of populations, was entrusted with technical assistance for a better refinement of the agricultural risk transfer mechanism, under three main areas:


1. Support the GDRC (Ministry of Agriculture) in the process of developing, reviewing and validating a suitable and accessible index product. This includes providing capacity building to government line ministries part of the NADP Task Force such as training, South-South cooperation, to make sure Task Force members gain the sufficient confidence on the concept of index insurance itself, how it fits within the NADP context, and on the product performance and accuracy to the environment of the targeted territories.
2. Support the GDRC in the preparation of potential MoUs with potential partners (local and international) on agricultural risk financing; Support the revision of the climate contingency plan.
3. Support the GDRC in the assessment of the yield and weather data gaps that can support parametric transactions in the future. Support the GDRC in the preparation, as part of future capacity building activities, of a localized and granular yield and weather data collection work plan and related terms of reference for the implementation of the work plan between 2023-2025.

WFP's technical assistance to GDRC began in 2022 and will continue until 2024.





Student Sinowe Byamungu, 12-years-old, in his village in the province of Tanganyika, Democratic Republic of Congo.
© ADS/Victor Useni


MADAGASCAR


 With financial support from GIZ, FCDO, KfW


Microinsurance and ICRM

 **27,490*** people covered with microinsurance


 **5,478** households insured

 **US\$70,747** of insurance premium


 **US\$572,101** of sum insured

 **US\$27,600** of payouts triggered, benefitting **7,495** people

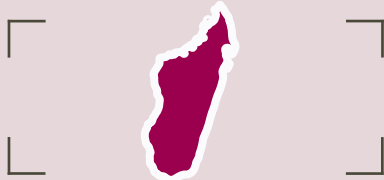
Macroinsurance

 **330,081** people covered with macroinsurance

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

 **US\$5.1 million** of sum insured

COUNTRY CONTEXT



Despite being rich in natural resources, Madagascar is among the poorest countries in the world. Political instability, the negative impacts of COVID-19 on the economy, poor governance, and social fragility have been impediments to the country's economic growth. The country faces recurrent climate-related shocks, including droughts, floods and cyclones. During the recent 2021/2022 cyclone season, Madagascar was heavily hit by six tropical storms and cyclones within one month. These extreme events demonstrate Madagascar's high vulnerability to the negative impacts of climate change, as it is now the scene of recurrent extreme weather events.

CLIMATE RISK FINANCING AND INSURANCE IN MADAGASCAR

Madagascar has made Disaster Risk Management one of the main pillars of the General State Policy and has established institutional arrangements to ensure better mainstreaming of climate risk management. Through the Africa Disaster Risk Financing Programme in Madagascar (ADRiFi), the country has been able to build resilience to climatic hazards by transferring its drought-related disaster risk and its tropical cyclone risk to the Pan-African risk pool of the African Risk Capacity (ARC). In this context, WFP Madagascar has been integrating several climate risk financing tools into its programmes to build vulnerable people's resilience against climate shocks. The country office has been implementing microinsurance as part of an integrated risk management approach since 2020. Macroinsurance activities started in 2021, with an agreement signed between WFP, the Government of Madagascar and the ARC Agency to launch the ARC Replica partnership in the country.

2022 PROGRESS

In 2022, the objective under the microinsurance programme was to continue providing access to insurance to smallholder farmers in the South of Madagascar. Activities focused on insurance product update and maintenance, setting up the operational processes, conducting Training of Trainers (ToT) and awareness raising on insurance, product distribution and enrollment of beneficiaries.

During the 2021/22 season, over 27,000 people benefitted from microinsurance coverage. Following drought conditions during the season, more than US\$27,000 of insurance payouts were triggered, benefitting nearly 7,500 people. Moreover, over 12,800 farmers were insured for the 2022 dry season.

Key challenges and lessons from implementing microinsurance in the country include:

- Increased capacity strengthening to the insurance company is needed to ensure understanding of its role in the integrated climate risk management approach and to design its own business model for providing microinsurance products.
- A sustainable and inclusive product distribution model needs to be explored further.
- Partners coverage in the field is not enough to reach the most vulnerable population.

Under its macroinsurance portfolio, WFP Madagascar works closely with the Government and the ARC Agency to better manage climate risks through ARC Replica. In 2022, WFP purchased an ARC Replica policy of US\$1 million protecting over 330,000 people from tropical cyclone events for the 2022/23 season. During the year, WFP collaborated with the Government on insurance product design and strengthening operational readiness. In 2022, Madagascar became the first country in WFP's ARC Replica portfolio to purchase an insurance policy for tropical cyclones.

2022 KEY ACHIEVEMENTS



5,500 farmers adopting crop diversification techniques.



Over 62,000 people provided with direct access to information on climate and weather risks through radio programmes.



Total number of savings groups amounts to 359.



One joint Final Implementation Plan (FIP) simulation workshop conducted with WFP and government partners.

* Figures refer to the number of people covered with insurance for the 2021/22 season.

MADAGASCAR



MACROINSURANCE IN MADAGASCAR

In 2021, the Government of Madagascar, WFP, and the ARC Agency signed a tripartite Memorandum of Understanding (MoU) to formalize ARC Replica in the country. Currently, ARC Replica is implemented based on enhanced collaboration between WFP, ARC, and the Government represented by the Office of Prevention and Management of Emergencies (CPGU).

For WFP, the benefit of ARC Replica is threefold: it provides an opportunity to support governments' capacity building on disaster risk financing and management; it enables WFP to reach people faster with predictable finance; it supports generating the evidence on the added value of disaster risk financing instruments in safeguarding the food security of vulnerable people against increasing climate risks.

Engagement with the Government and regional sovereign risk pool

Collaboration with the Government in Madagascar under ARC Replica began in 2021 and, following the signing of the tripartite Memorandum of Understanding (MoU), deepened in 2022.

WFP collaborated with the Government on the index customization, through its support to the Technical Working Group and on the design of complementary Operational Plans (OPs).

Diversity in the risk pool in terms of geography and types of perils covered is currently a challenge for ARC, but WFP Madagascar's uptake of the tropical cyclone policy, alongside the Government, is supporting this diversity, which should translate to more attractive premiums across the pool over time as more diversity is achieved.

Index customization process and technical capacity strengthening

In 2022, WFP provided technical assistance in the index customization process and participated in the Africa Risk View (ARV) customization workshop with the Technical Working Group (TWG).

It was noted in Madagascar through the Country Office's engagement with the TWG that the drought product customization is lengthy, and it has been difficult to transfer this process autonomously to the Government.

Policy purchase

After the index customization, WFP purchased its first ARC Replica policies in the country. In addition to the drought product, WFP purchased an insurance policy for tropical cyclone in Madagascar for the 2022/23 season, mirroring the product approved by the Government.

Operational Planning and Response

In 2022, WFP and the Government developed complementary Operational Plans (OPs); one each for drought and tropical cyclones. WFP's OP was endorsed by the Government. Both the government and WFP in Madagascar have included several potential interventions in these plans. In the case of tropical cyclones, the different activities of the government and WFP provide for a very comprehensive response for affected populations, with WFP responding first providing food assistance in most cases, and the government responding in the second wave with further assistance as well as large-scale reconstruction activities to rebuild important public assets in the country.


At the end of 2022, a Final Implementation Plan (FIP) simulation exercise was held jointly by WFP and government partners to prepare for complementary response interventions in the event of an insurance payout. FIP simulations allow stakeholders to review intervention strategies, explore details of implementation and improve coordination and complementarity of interventions.








Miss Vandapoke (centre) with members of her Village Savings & Loans Association who received training from WFP to implement climate shock adapted agricultural techniques.

© Coffee Melon/Sitraka Niaina

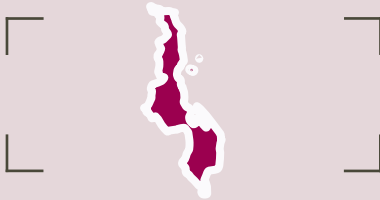
MALAWI

 With financial support from AF, BHA, FCDO, SDC, Flanders and BMZ

Microinsurance and ICRM

-  **291,222** people covered with microinsurance
-  **64,716** households insured
-  **US\$949,994** of insurance premium
-  **US\$8.6 million** of sum insured
-  **US\$625,561** of payouts disbursed, benefiting **252,400** people

COUNTRY CONTEXT



Malawi is a low-income and least developed country facing multiple development challenges. More than half the population lives in poverty and at least 5.4 million Malawians suffer from chronic food and nutrition insecurity. The country faces increasing climate-related shocks. Dry spells and floods are the main drivers of cyclical food needs, especially in the Southern Region. In 2022, impacts of Tropical Storm Ana, poor crop production was coupled with the effects of the Ukraine crisis on food, fuel, and fertilizer prices, hampering production and access to food. WFP Malawi is working across eight districts suffering from high levels of prolonged food insecurity, indicating that they had not fully recovered from previous crises. The losses incurred by Ana resulted in a significantly larger 2022/2023 lean season both in terms of affected population as well as duration of assistance.



Margaret Beni from Kalima Village in the flood-prone district of Chikwawa, southern Malawi.

© WFP/Francis Thawani

CLIMATE RISK FINANCING AND INSURANCE IN MALAWI

WFP Malawi developed a comprehensive integration strategy, with Food Assistance for Assets (FFA) as the cornerstone in addition to other components, to provide beneficiaries with a holistic package of resilience-building services. This includes microinsurance and other integrated climate risk management (ICRM) tools with the aim to contribute to sustainable food systems and to enhance community resilience to shocks. WFP Malawi has integrated village savings and loans (VSLA) and microinsurance as part of its integrated resilience package under Strategic Outcome 4 (SO4) on resilience building of the Country Strategic Plan (CSP). Together with partners, WFP facilitates access to Area Yield Index Insurance (AYII) among smallholder farmers. To strengthen linkages, WFP Malawi is also in discussions with the National Food Reserve Agency (NFRA) to include AYII in contract farming processes in collaboration with SO5 on improved supply chain systems.

2022 PROGRESS

In 2022, WFP Malawi continued the implementation of its resilience-building interventions. FFA is at the centre of WFP's integrated resilience-building portfolio focusing on watershed management, restoration of agricultural land and adoption of climate-smart agricultural practices.

Under the insurance component, over 64,000 farmers were covered with an area yield index insurance product in 2022, which was triggered for 92 percent of farmers. Distributions of the payouts were made to 59,600 farmers. Jointly with the Insurance Association of Malawi (IAM) and Pula Advisors (a risk-modelling institution) WFP has been working to adjust the administration processes of the area-yield index insurance to ensure sustainability.

WFP and its partners continued to work towards increasing access to insurance for non-participants, such as farmers not participating in FFA activities, within WFP's eight districts of implementation. In collaboration with three micro-finance institutions and the Ministry of Gender, Community Development and Social Welfare, the insurance component was expanded to seven additional districts for the 2022/2023 agricultural season. Following district-level awareness campaigns on the insurance product, monitoring data showed participants' willingness to contribute to insurance as high as 82 percent for participants and 64 percent for non-participants, highlighting the potential for scale up.

Village savings and loans (VSLs) increased smallholder farmers' ability to purchase agricultural inputs, invest, and diversify their livelihoods. In addition, in 2022, WFP focused on leveraging grants through revolving funds to target women and youth VSL groups to further improve women and youth's financial inclusion, removing existing financial barriers to access credit/capital. Revolving funds provide access to small loans for income-generating activities and enhance beneficiaries' business and financial literacy skills.

WFP Malawi also promoted smallholder farmers' access to market by building partnerships with farmer clubs/organizations and traders under its SAMS activities to boost surplus production considering the quality and quantity requirements set by buyers. WFP built synergies within its activities through existing farmers' organizations, and schools under the home-grown school feeding expansion to boost access to market opportunities for smallholder farmers.

In addition, WFP reached smallholder farmers and lead farmers in the eight targeted districts with agro-advisories and weather forecasts through extension workers, in addition to district-specific seasonal rainfall forecasts for informed decision-making through radio messages.

2022 KEY ACHIEVEMENTS



Around 20 partner organizations supported ICRM including government institutions. Partnered with three local NGOs, and eight District Councils to implement operations, thereby strengthening national capacity.



100 percent of targeted communities report that there is evidence of improved capacity to manage climatic shocks and risks.




A total of US\$1.2 million was triggered in insurance payouts for farmers under the area yield index insurance product.





Over 45,000 farmers and lead farmers reached through the Participatory Integrated Climate Services for Agriculture (PICSA) approach.

MOZAMBIQUE


 With financial support from GCF and KOICA


Microinsurance and ICRM


 **2,800** people covered with microinsurance

 **US\$48,070** of insurance premium

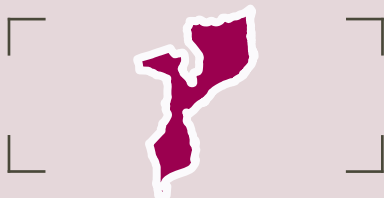
 **US\$263,774** of sum insured

 **11,940** participants (**50 percent women**) engaged in financial inclusion initiatives promoted by WFP

 **US\$243,160** of savings made by participants of financial inclusion initiatives promoted by WFP

 **US\$199,978** of loans accessed by participants of financial inclusion initiatives promoted by WFP

COUNTRY CONTEXT



Mozambique is among the most affected countries by the impacts of increasing climate related shocks. In 2022, Mozambique faced some intense droughts in the southern part of the country, and this triggered some insurance payouts in Chibuto. Additionally, in 2022, the country was affected by three major storms, namely, Cyclone Gombe in March, Tropical Storm Ana and Tropical Depression Dumako, affecting about a million people. These extreme weather events severely affect people's agricultural production, and therefore, their livelihoods, as majority of the population depend on subsistence farming for their living. There was also some level of security concerns in the northern provinces of Cabo Delgado and Niassa, which has caused internal displacement of people, raising the need for food assistance 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 six districts in Tete and Sofala provinces. 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.

2022 PROGRESS

WFP Mozambique continued its work on consumer education and sensitization of beneficiaries on the relevance of insurance as a risk management measure. The weather index insurance (WII) product currently offered in the two provinces covers the risks of drought and excess rainfall. Intense consumer literacy was done in 2022 to gain farmers' confidence on insurance, given the general disappointment among farmers due to the lack of insurance payouts for the 2020/21 season. This was also due to a general misunderstanding among farmers on the risks covered under the product, with majority of farmers initially believing that insurance would compensate them for the failed crops and not necessarily for the lack of rain. Moreover, basis risk -the mismatch between an individual insured's loss experience and the index payouts- was also another challenge faced during the previous season.

As a result, another key activity in 2022 was the redesign of the insurance product to address basis risk. This included interactions with the beneficiaries, WFP staff, and the technical service provider, Blue Marble, to redesign the product based on the following characteristics: shorter cover period, with a concentration on the months with significant rainfall; more realistic trigger parameters; product to be easily communicated to farmers; premiums compatible with the farmers' willingness/ability to pay. The redesigned product will be implemented in the 2023 season.

Following drought conditions during the 2021/22 season, payouts were triggered for nearly 800 farmers in Chibuto District. WFP, together with the insurance company Hollard Seguros and Government officials, facilitated the payout distribution process. The payouts were a good opportunity to showcase both beneficiaries and government officials that a well-designed insurance product can be an effective risk mitigation mechanism, demonstrating that beneficiaries can effectively rely on these solutions to address the challenges posed by extreme weather conditions.

One of the main lessons from implementing microinsurance among targeted beneficiaries is the need to communicate complex concepts in a simple, clear and straightforward manner. To this end, WFP re-designed the consumer education material, adapting it to a local folklore story, and kept regular communication and awareness raising sessions with beneficiaries to continue raising awareness about the technicalities of WII.

On sovereign and macro-level insurance, WFP Mozambique continued to work with the Government to overcome the legal hurdles for ARC and ARC Replica in the country.

2022 KEY ACHIEVEMENTS



Nearly 12,000 farmers were part of Village, Savings and Loans (VSL) groups, saving a total of over US\$240,000 and accessing loans worth US\$200,000. This has helped farmers invest in income generating activities.



766 farmers received payouts following drought conditions in 2022.




Mr. Raimundo, beneficiary of the ICRM programme in Chipembere community, in Tete province. He has managed to increase his production capacity thanks to access to loans from VSL groups, and now produces cash crops (like beans) to sell in the city market.


© WFP/Domingos Langa


ZAMBIA


 With financial support from SDC, GCF, IFAD


Microinsurance and ICRM

 **1 million** people covered with microinsurance

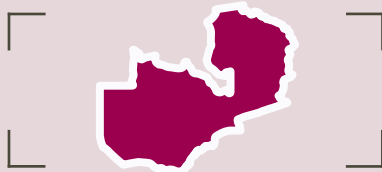
 **147,062** households insured

 **US\$6.2 million** of insurance premium

 **US\$272 million** of sum insured

 **US\$3.5 million** of payouts triggered, benefitting **1 million** people

COUNTRY CONTEXT



Zambia is a lower-income country with an estimated population of 19 million people, most of whom reside in rural areas. There has been a steady economic growth since the 1990s. However, in 2022, the World Bank re-classified Zambia to low-income status for the 2023 financial year, largely due to deterioration in 2021 Gross National Income per capita estimates, resulting from the high debt burden. Current climate projections for Zambia show increases in extreme weather events such as high temperatures, rainfall deficits resulting in prolonged dry spells and droughts, as well as heavy rainfall resulting in floods. Zambia's agricultural sector has been increasingly negatively affected by the impacts of the climate crisis.

CLIMATE RISK FINANCING AND INSURANCE IN ZAMBIA

WFP Zambia has been providing technical assistance to the Government to support the strengthening of national capacities and systems for climate risk financing and insurance. This includes technical assistance to the inter-ministerial technical working group (TWG) led by the Ministry of Agriculture on microinsurance, under the Farmer's Input Support Program (FISP) as well as its support to the Ministry of Fisheries and Livestock to implement a hybrid livestock insurance product, in partnership with IFAD and the private sector. WFP also supports the private sector to provide crop insurance against climate risks through the Maano Virtual Farmers' application. Through this app, farmers are linked to aggregators and can also access different financial services including insurance. Partnerships with private sector insurance providers include, Mayfair Insurance, Zep-Re, ZSIC General Insurance Consortium and Pula Advisors.

2022 PROGRESS

In 2022, WFP Zambia continued providing technical assistance to the Government on insurance product design and insurance-related processes through the TWG on FISP, the national input support program that provides insurance cover to over one million smallholder farmers across the country. This includes capacity building to government stakeholders to strengthen the systems to roll out insurance products effectively.

Under the support on livestock insurance, together with IFAD and the private sector, WFP supported the Ministry of Fisheries and Livestock to implement a hybrid livestock insurance product, following its successful piloting in 2021. The product is protecting 5,000 livestock smallholder farmers from climate-related shocks including droughts and floods that may affect pasture availability for their livestock. WFP plans to scale up this insurance to reach 12,500 pastoralists in 2023.

Moreover, WFP supported the private sector to provide crop insurance to 6,506 smallholder farmers for soya beans and maize to cover their crops against climate risks and support their recovery from shocks like droughts and floods. The farmers accessed the insurance services through the Maano Virtual Farmers' application, an e-commerce platform for exchanging market information and trading agricultural commodities, redeveloped with WFP support, and launched in 2021 with expanded features including weather and climate services.

WFP also supported the Government in implementing community-based early warning systems to help smallholder farmers access weather information for informed agricultural decisions. Specifically, WFP supported nearly 28,000 smallholder farmers (50 percent women) to access weather information collected through the 265 rain gauges installed (between 2019 and 2021) by the Zambia Meteorological Department (ZMD) with WFP support.

2022 KEY ACHIEVEMENTS



Established partnerships with government stakeholders, input providers and financial institutions to improve access to innovative financial services among targeted beneficiaries.



In partnership with the Ministry of Agriculture, WFP promoted conservation agriculture (CA) in 19 districts, reaching over 142,700 smallholder farmers (50 percent women) with trainings to adopt CA practices.



WFP supported over 100,000 smallholder farmers (80 percent women) including people living with HIV and the youth across 42 districts to save part of their incomes through VSLAs. Over 4,000 savings groups saved a total of US\$3.4 million.



WFP Zambia supported nearly 28,000 smallholder farmers (50 percent women) to access weather information collected through the 265 rain gauges installed.




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, FCDO


Macroinsurance


 **281,407** people covered with macroinsurance


 **US\$2 million** of insurance premium

 **US\$11.2 million** of sum insured


Microinsurance and ICRM

 **24,730** people covered with microinsurance*

 **4,946** households insured

 **US\$73,717** of insurance premium

 **US\$494,600** of sum insured

 **US\$55,716** of payouts triggered, benefitting **24,730** people

COUNTRY CONTEXT



Several economic and environmental shocks have hit Zimbabwe in the last decade, contributing to severe food insecurity and malnutrition. In recent years, the country's gross domestic product has shrunk considerably owing to continuing structural deficiencies, high inflation, exchange rate instability, misallocation of production resources, low investment, unsustainable and large external debt and the impact of climatic shocks and the COVID-19 pandemic. The ongoing conflict between Russia and Ukraine have compounded the country's problems in 2022. The conflict caused price spikes in food, fuel, and fertilizer, exacerbating Zimbabwe's balance of payment at a time when most businesses are suffering from foreign currency shortages. Moreover, the war had a negative impact on consumption levels and poverty indicators across all subpopulation categories, including poor, non-poor, rural, and urban families.

CLIMATE RISK FINANCING AND INSURANCE IN ZIMBABWE

WFP Zimbabwe has been implementing a set of climate risk financing tools in close collaboration with the Government and other stakeholders, including Anticipatory Actions (AA), microinsurance and macroinsurance. Under AA, in the event of a trigger, funding becomes available to implement activities such as cash/in-kind transfers, input distribution and asset creation in an anticipatory manner in close coordination with social protection, humanitarian assistance, resilience and food systems teams. Microinsurance is implemented as part of an integrated climate risk management approach to build smallholder farmers' resilience to climate shocks. Farmers receive access to an integrated package of services, including climate services, asset creation, financial services and market access. Macroinsurance is implemented as part of the ARC Replica programme. When triggered, macroinsurance payouts are implemented leveraging on the social and humanitarian assistance programmes.

2022 PROGRESS

Under the microinsurance component, main activities in 2022 included product design, payouts distribution and consumer education. Over US\$55,000 in insurance payouts were distributed in Masvingo and Rushinga districts, benefitting over 24,000 people. Improvements were made to the product to eliminate very small payouts- providing a minimum payout of US\$10-as recommended by insurance participants. The technical service provider Blue Marble developed two prototypes with different coverage and premium rates to give farmers different options to choose from. These were presented to beneficiaries, with farmers selecting the prototype with lower premium rate. During the same period, insurance awareness trainings were carried out in the two districts for farmers to understand the product before enrollment. In addition, a digital registration platform for insurance was developed, facilitating the enrollment process.

Given WFP's experience in weather index insurance, the Government nominated WFP to be part of the task force to oversee the development of a pilot project on area yield index insurance in Mwenezi and Masvingo districts in the 2021/2022 season. As part of this task force, WFP provided technical advice and guidance on the product prototypes and operational issues. The pilot provided insights to the Government on the role of climate risk insurance in closing the protection gap amongst smallholder farmers in Zimbabwe.

Among the key lessons learned on microinsurance are: the insurance company needs to provide frequent, timely season monitoring reports with the insured to build trust and confidence in the model and the insurer; involving participants in product design is important for improved uptake; insurance should be integrated into other agriculture value chains such as bundling insurance with seed/inputs to become scalable and sustainable; support to community leaders and other stakeholders such as agriculture extension officers which play a critical role during registration, premium collection and payout distribution is vital for the success of the project.

On macroinsurance, WFP Zimbabwe purchased an ARC Replica policy of US\$2 million, protecting nearly 300,000 people from catastrophic drought events for the 2022/23 season. WFP continued to provide technical assistance to the Government, including through its participation in the ARC Technical Working Group (TWG).

2022 KEY ACHIEVEMENTS



WFP Zimbabwe was part of the taskforce that was created by the Government (Ministry of Lands, Agriculture, Fisheries, Water and Rural Development) to oversee the development of the area yield index insurance pilot in the 2021/2022 season.



As a member of the Zimbabwe ARC TWG, WFP participated in the Africa RiskView (ARV) model customization and Risk Transfer Parameters (RTPs) selection workshops.



4,946 farmers (64 percent women) paid partial contributions ranging from 15-35 percent. Total cash contributions amounted to over US\$13,000.



Under the climate services component, 47 extension officers received Trainings of Trainers (ToT) on the Participatory Integrated Climate Services for Agriculture (PICSA) approach in Rushinga and Masvingo districts. Over 2,600 farmers (67 percent women) were then trained in the two districts.

* Figures refer to the number of people covered with insurance for the 2021/22 season.

ZIMBABWE



MACROINSURANCE IN ZIMBABWE

The Government of Zimbabwe and WFP (as Replica partner) have been purchasing macroinsurance policies from ARC Ltd to cover drought since the 2019/2020 season. The Government and WFP were joined by Start Network as a Replica partner in the 2021/2022 season. ARC programme activities in Zimbabwe are coordinated by a Technical Working Group (TWG) that comprises various Government departments and ministries, WFP, and Start Network. The TWG is chaired by the Ministry of Finance and Economic Development. As TWG member, WFP interacts with the Government in the customization processes, in-season monitoring, selection of risk transfer parameters, final implementation plan simulation, payout implementation and disaster risk financing in general.

Engagement with the Government and regional sovereign risk pool

WFP worked with the Government and other partners to develop a disaster risk financing (DRF) strategy. Specifically, WFP provided inputs to the Terms of Reference (ToRs) for the DRF consultant and participated in a knowledge sharing event that was aimed at giving insights into a diagnostic study that the World Bank carried out to inform the DRF strategy. One of the main challenges faced in the engagement with the Government during the period under review was delayed responses due to under-capacitation of the Ministry of Finance and Economic Development (MoFED) which coordinates ARC activities in-country.

Overall, there was strong collaboration and commitment among ARC partners in 2022. A case in point were the workshops on seasonal review, index customization and Risk Transfer Parameters (RTPs) selection that Replica partners, WFP and Start Network, co-organized with support from the Government and ARC Agency. In addition, the Government, ARC Agency, Africa Development Bank (AfDB) and the World Bank co-organized parliamentary and media sensitization and disaster risk financing workshops and invited Replica partners to share their experiences with DRF and ARC Replica in particular.

Index customization process and technical capacity strengthening

WFP participated in workshops to customize the Africa RiskView (ARV) model. The customization process was completed with only two changes i.e., redefining of the sowing window, and updating of the vulnerability profile. The Technical Working Group (TWG) agreed to use CHIRP as an alternative rainfall data set in case of data failure. One main challenge faced was non-availability of poverty level data at district level which was also required to apply a cluster system, and this compelled the country to revert to the non-cluster approach used in previous pools.

For the Risk Transfer Parameters (RTP) selection, only two RTP options were considered. The main difference between these two options was that they were based on different vulnerability profiles (2014 vs 2021). The Government selected the RTP option based on the 2021 vulnerability profile, which presented a lower risk profile for the country. One main challenge experienced was a delay in the selection of the RTP.

As a general lesson learned, the customization of the ARV model and selection of RTPs need to be finalized well ahead of the start of the season.

Policy purchase

For the 2022/2023 season, WFP purchased a Replica policy covering 281,470 people. Combined with the coverage of the Government (42,211) and Start Network (140,702), the total coverage for the country was 464,383 people. In 2022, WFP increased its premium compared to the previous period. The main challenge experienced was the delay by the Government to purchase its policy. As a lesson learned, engaging the Government on premium payment should begin immediately after the conclusion of the preceding season.

Operational Planning and Response

To enhance response preparedness for all the partners involved in the ARC Replica programme, WFP and Start Network organized and facilitated a Final Implementation Plan (FIP) Simulation workshop which was attended by all key stakeholders including WFP staff in procurement, Lean Season Assistance (LSA), Monitoring and Evaluation (M&E), Vulnerability, Analysis and Mapping (VAM) and Field Offices, TWG members from Government and Start Network members.

These simulation exercises are an opportunity to strengthen country level capacity in response planning, improving coordination of interventions, and consolidating the network of actors involved in the ARC Replica programme.



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

© CIMMYT/Christian Thierfelder



STORIES FROM THE FIELD

Sunshine after the storm in Malawi

"We stayed in a temporary shelter before moving into our new house. Our rebuilding did not take long because of the money I saved in the village savings and loans group," boasts Margaret Beni from Kalima Village in the flood-prone district of Chikwawa, southern Malawi.

When floods caused by Tropical Storm Ana swept across communities in January 2022, 34-year-old Margaret and her four-member family lost their house with all their possessions and their farm. *"Everything happened so fast that we did not manage to rescue much from the waters - food, clothes, kitchenware and furniture, almost everything was gone,"* Margaret explained, sitting in front of the family's new home.

"With my family, I rushed to the Kalima evacuation camp and joined other families displaced by the floods, the place was packed of people who had lost everything" said Margaret.

Margaret has been an active participant of WFP's resilience-building interventions since 2016. Under this initiative, participants are planting trees, building check dams to protect riverbanks or working on irrigated gardens to improve their livelihoods and strengthen their resilience to climate-related disasters. Participants in resilience activities received a cash transfer of US\$25 (MK 25,000) per month to meet their food needs.

Participants also form what they call "banks by the porch" or village savings and loans (VSL). Since they do not have ready access to formal financial services, such as banks or microfinance institutions, they collectively support each other with saving money and offering loans at a local level.

The "banks by the porch" are community-based micro-credit schemes aimed at increasing farmers' ability to purchase food and agricultural inputs, invest in businesses or cover the cost of their children's education. Members support each other by saving money in a joint account and offering loans. Any interest paid on loans goes back into the community. The interest accrued from loans is shared out to all members at the end of the year according to their level of contribution to the total amount saved by the group.

"The cash I received from planting trees and rehabilitating degraded land from the months of July to December eased the burden of sourcing food for the family. Any savings we could make was reinvested in the Village Savings and Loans," says Margaret.

This routine saw her get MK 220,000 (US\$220) from the group in 2017 that she used to buy goats and pigs. In following years, her yearly amount continued to increase up to MK380,000 (US\$380) in 2021 with which she bought farmland, goats, pigs and land to erect more houses to rent.



Margaret and her husband at their new home.

© WFP/Francis Thawani



With the majority of the population dependent on agriculture that comes from smallholder farmers, Malawi is highly vulnerable to climatic shocks.

Life became promising until January 24, 2022 when Tropical Storm Ana hit. The family was one of the thousands whose homes and belongings were ripped and swept away by the floods in the southern Malawi.

While many survivors in her community are struggling to rebuild their lives due to hunger and poverty worsened by the tragedy, Margaret's family has recovered fast. *"Unlike my neighbours, I managed to get back on my feet quickly after the floods thanks to my savings in the VSL".* After leaving the temporary evacuation camp, Margaret had already bought a safer place upland to restart her life.

"When the tragedy struck, I had MK 395,000 (US\$395) in savings. We bought a new piece of land less vulnerable to floods at MK 120,000, and other building materials," Margaret explained. *"Now, I have built a five-bedroom house with iron roof. Without funds from the village savings and loans (VSL) group, we would have been living in a mud house till now"* says Margaret. *"We never imagined we could sleep in a decent house" she adds.*

About half a kilometre from where they have constructed a new house, others who were not prepared enough for the floods remain in temporary shelters which appear to have become their permanent homes.

Moses, Margaret's husband, concedes that without his wife's involvement in the FFA project, rebuilding their livelihoods after the floods would have been an extremely difficult venture.

"We are stronger than before. We are a happy home," Moses declares. *"We used to be constantly stricken by hunger. That is no longer the case,"* he adds.

With the majority of the population dependent on agriculture that comes from smallholder farmers, Malawi is highly vulnerable to climatic shocks. From the strongest drought in 35 years in 2016, to successive major floods in 2019 and 2022, Malawi has faced successive climatic shocks in recent years.

These interventions have been implemented in Malawi with the financial support of several development partners including the Adaptation Fund, Flanders, Germany, Switzerland, United Kingdom and USAID and supports over 500,000 participants like Margaret in Malawi equipped with skills they can apply in building resilience to climatic shocks and rebuilding after disasters.

The approach has yielded impressive benefits in restoring landscapes, increasing access to water, diversifying production and income sources, and supporting access to markets. Over 20 million trees have been planted, 42,000 hectares of degraded land have been rehabilitated and brought back to life, and 200 hectares are farmed with solar irrigation. A recent [independent evaluation](#) has confirmed that WFP interventions in Malawi have already helped communities adapt to a changing climate and enabled them to break out of the cycle of hunger. These interventions are supported by the Adaptation Fund, FCDO, Germany, the Swiss Development Cooperation and USAID.

LATIN AMERICA AND THE CARIBBEAN



BELIZE

Macroinsurance
 9,600
 US\$100,000
 US\$1.2 million

CUBA

Microinsurance
 572
 US\$ 45,200

HAITI

Microinsurance
 4,900
 US\$449,100
 US\$4.4 million

GUATEMALA

Microinsurance
 46,800
 US\$263,500
 US\$3.7 million
 34,000
 US\$292,300

NICARAGUA

Microinsurance
 2,100
 US\$37,700
 US\$312,700
 155
 US\$7,600

DOMINICA

Macroinsurance
 38,500
 US\$200,00
 US\$5.2 million

EL SALVADOR

Microinsurance
 10,700
 US\$97,000
 US\$1.4 million
 231
 US\$3,500

HONDURAS

Macroinsurance
 98,200
 US\$100,000
 US\$2.1 million

LEGEND

- Number of people covered by insurance
- US\$ value of premiums
- US\$ value of sum insured
- Number of people benefitting from insurance payouts
- US\$ value of payouts triggered and/or disbursed in 2022
- Current countries
- Expansion countries

CARIBBEAN

 With financial support from WFP funds

Macroinsurance

BELIZE



9,608 people covered with microinsurance



US\$100,000 of insurance premium



US\$1.2 million of sum insured

DOMINICA



38,519 people covered with microinsurance



US\$200,000 of insurance premium



US\$5.2 million of sum insured

COUNTRY CONTEXT



Small Island Developing States (SIDS) in the Caribbean countries face similar challenges in managing financial, economic, and climate-related vulnerabilities that affect the food and nutrition security of the most vulnerable. The COVID-19 pandemic has had severe socioeconomic impacts on the population and the current global food crisis has further exacerbated food insecurity.

Belize is the smallest in size of all the countries in Central America. The country is highly exposed to climate-related disasters. According to the World Bank, Belize ranks eight out of 167 countries worldwide for climate risks. Natural hazards such as hurricanes, storms, flooding, and storm surge frequently affect the country, resulting in significant financial damage yearly.

The Commonwealth of **Dominica** is located in the Leeward Islands chain in the Caribbean. The country is highly susceptible to external shocks such as the impact of climate change, natural hazards, and global economic trends. In 2017, Hurricane Maria devastated the country resulting in a loss of over 200 percent of GDP, reflecting the magnitude climate shocks have on SIDS.

CLIMATE RISK FINANCING AND INSURANCE IN THE CARIBBEAN

The WFP Caribbean multi-country Office (MCO) supports governments 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 and excess rainfall events.

Under this approach, once a CCRIF SPC policy is triggered, governments receive the payout within 14 days of the event with the funds being sent to the Ministry of Finance, as per arrangements between CCRIF SPC and the governments. Furthermore, the agreement between the governments and WFP stipulates that a proportion of the CCRIF SPC estimated modelled loss - which is aligned with the increased coverage due to the additional premium support by WFP - will be used for cash transfers to assist impacted people.

In turn, governments commit to strengthen social protection programmes and systems to improve their routine functions, ensure continuity after a shock and expand at scale to assist impacted populations. Investments focus on: policy and legislation, information and data management, targeting, delivery mechanisms, coordination and financing. These investments ensure a stronger and more sustainable response to the immediate needs and recovery of populations affected by shocks with predictable funding in a high impact scenario which in turn reduces reliance on external international assistance in the event of a shock.

2022 PROGRESS

In 2022, WFP Caribbean built on its work on linking climate risk insurance and social protection in partnership with the Government of Dominica and expanded to a new partnership with the Government of Belize.

DOMINICA

Since 2021, WFP has partnered with the Government of Dominica to link climate risk insurance through CCRIF SPC to the country's social protection system. WFP contributed US\$100,000 towards the premium for the Government's tropical cyclone policy for the 2021/22 policy year and US\$200,000 for the 2022/23 policy year. WFP furthered efforts with the government in planning for potential payouts by supporting the development of an information management system led by the Government and the World Bank and the development of tools to target and monitor assistance, amongst others.

BELIZE

In 2022, WFP partnered with the Government of Belize to link climate risk insurance through CCRIF SPC to social protection programmes that provide cash assistance to the most shock-affected populations to improve their financial resilience. Under the agreement, WFP will provide premium support worth US\$200,000 over two years to top up the existing CCRIF SPC Tropical Cyclone and Excess Rainfall Policies. WFP topped up the CCRIF SPC Tropical Cyclone and Excess Rainfall Policies by US\$100,000 (split across the two policies respectively) for the 2022 Atlantic Hurricane Season. The Government also agreed to allocate a greater percentage of a payout towards cash transfers than necessitated by WFP's support, reflecting their support for the approach.

To prepare social protection systems to respond to shocks, WFP supported the government to develop standard operation procedures to facilitate the expansion of social assistance to cover impacted populations through the CCRIF SPC and other funding sources. While Category 1 Hurricane Lisa did not trigger a payout, additional resources were mobilized for cash transfers by WFP and the Government and then distributed through the social protection system, allowing for a testing of the SOPs which will be updated in 2023.

EVIDENCE GENERATION

In addition, in 2022 WFP Caribbean carried out research for the Governments of Barbados, Dominica and Saint Lucia to develop options for linking insurance products and other risk finance instruments with social protection systems. These studies will be published in 2023. Finally, WFP has started discussions with regional and international partners on proposed support for the development of a regional agricultural insurance programme for smallholder farmers.

2022 KEY ACHIEVEMENTS



WFP engaged with the Ministries of Finance and Social Protection and disaster management offices in Belize, Dominica and Saint Lucia, as well as CCRIF SPC, Global Affairs Canada, the Humanitarian Aid department of the European Union, the UK Foreign, Commonwealth and Development Office, the USAID Bureau for Humanitarian Assistance (BHA) and the World Bank on linking disaster risk financing to social protection.



WFP hosted a session in the International Conference on Inclusive Insurance and presented on the topic of linking disaster risk finance to social protection ministries at this global event. Panelists included representatives from WFP, CCRIF SPC and the Government of Belize. WFP also hosted a session at a Council of Ministers meeting in support of the Organization of Eastern Caribbean States (OECS).

CUBA

With financial support from KOICA and the Russian Federation

Microinsurance and ICRM

572 people covered with microinsurance

US\$45,288 of sum insured

COUNTRY CONTEXT



In 2022, Cuba made great efforts to recover from the impacts of COVID-19 and other external factors that -even before the pandemic- were severely affecting the domestic economy. In 2022, the economy saw a slight recovery (after the abrupt 11 percent drop in GDP in 2020). This year the GDP growth is estimated at 2 percent with respect to 2021. Nevertheless, the decrease in domestic production and imports significantly contracted food availability in the country, further aggravated by the impact of hurricane Ian at the end of September.



Delma, a farmer in the municipality of Encrucijada in Cuba and her husband.

© WFP/Placido Ortega

CLIMATE RISK FINANCING AND INSURANCE IN CUBA

WFP Cuba's approach to risk financing and insurance aims to promote innovative financial solutions to reduce the risk of natural hazards and climate change among smallholder farmers and cooperatives and contribute to improving food security and nutrition at the national and local level. In this regard, WFP has worked with the state-owned insurance company Empresa de Seguros Nacionales (ESEN), the Ministry of Agriculture and the Ministry of Science, Technology and Environment to develop an insurance product linked to the analysis of smallholder farmers' vulnerabilities to extreme hydro-meteorological events (drought and hurricanes). The product aims to both protect the farmers from climate risks and help them reduce the vulnerabilities identified. This product has been approved by the Cuban insurance regulatory authority and is now being marketed. It is linked to WFP projects in the area of food systems financed by KOICA, Russia and new contributions.

2022 PROGRESS

WFP Cuba has been 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'. To this end, WFP Cuba has established strategic partnerships with ESEN (local insurer), farmers cooperatives, the Environment Agency (AMA), the Agricultural Meteorology Centre of the Cuban Institute of Meteorology, other government entities, local partners and agencies to produce a matrix of four variables and 28 indicators to measure the level of vulnerability of farmers cooperatives and municipalities, design and register an insurance product "+ Resiliente", that will be launched in 2023.

Farmers participating in the insurance programme have their level of vulnerability assessed by using the methodology developed for the product design. Based on the recommendations, they receive support from WFP on the resilience-building activities to be implemented. These activities are aimed at reducing farmers' vulnerabilities and building their resilience against climate risks, so farmers can pay less insurance premium in the future.

WFP Cuba is also supporting farmer cooperatives to diversify their crop production and best practices by providing them with agricultural equipment, technical assistance and climate and weather information.

In 2022, a total of 572 farmers (23 percent women) were insured under the traditional agricultural insurance product offered by ESEN. Farmers paid in full for their insurance products.

The new insurance product "+ Resiliente" will be piloted in 2023. As part of the scale-up strategy, the idea is to expand the insurance product to other local partners and agencies in the following years.

2022 KEY ACHIEVEMENTS



Partnerships established with ESEN, Ministry of Agriculture, Ministry of Science, Technology and Environment, Agricultural Meteorology Centre of the Cuban Institute of Meteorology, Environment Agency, and other local partners.



572 farmers (23 percent women) accessed insurance in 2022.




WFP Cuba supports farmers' cooperatives by providing them with agricultural equipment, technical assistance and climate and weather information.





Nearly 7,000 farmers (20 percent women) trained in financial education to enhance their capacity to make productive investment decisions.


EL SALVADOR


 With financial support from WFP Funds


Microinsurance and ICRM

 **10,720** people covered with microinsurance

 **2,144** households insured

 **US\$97,086** of insurance premium

 **US\$1.49 million** of sum insured

 **US\$3,561** of payouts triggered, benefitting **231** people

COUNTRY CONTEXT



El Salvador is Central America's smallest and most densely populated country. The Global Climate Risk Index places El Salvador at number 28 out of 180 countries, being the second most vulnerable country in Central America. In recent years, extreme weather events resulted in numerous financial losses, causing strong social, economic and environmental impacts, affecting social investment and employment, while accentuating the existing disparities and vulnerabilities.



Training with the Cooperative El Salto in Ahuachapán, El Salvador.

© WFP El Salvador/Walter Hernandez

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. Microinsurance and other risk financing tools fall under Strategic Outcome 2 (SO2) of the Country Strategic Plan (CSP), aimed at building climate change adaptation, resilience and inclusive food systems. The Government of El Salvador has presented inclusive parametric insurance as a key tool to overcome environmental issues in the new Country Plan. In this context, WFP is working with the Government to support the expansion of the microinsurance product through social protection and programmes promoting the productivity of smallholder farmers and micro-entrepreneurs.

2022 PROGRESS

Following the 2021 microinsurance pilot, WFP El Salvador continued promoting access to insurance among smallholder farmers and micro-entrepreneurs. In 2022, over 10,000 people were covered by insurance from the interruption of any productive activity due to excess rainfall, drought or earthquake.

A sustainability and scale-up plan was developed for the expansion of the insurance scheme. In 2022, the Government was involved in the scale-up strategy through the participation of the Agricultural Technology and Transfer Center (CENTA) in the insurance scheme, as an aggregator. Specifically, WFP El Salvador worked in coordination with CENTA, training nine technical staff on microinsurance, with CENTA then providing support with the insurance enrollment and training process.

Following excess rainfall conditions experienced in May 2022, the insurance product triggered a payout of over US\$3,500. WFP provided support during the claims settlement processes, supporting with the payouts' communication and distribution process, as well as with the monitoring and supervision of payments made. A Post Distribution Monitoring (PDM) exercise was carried out with beneficiaries who received the insurance payout in 2022, with a total of 150 people being interviewed.

While the insurance product triggered payouts during the excess rainfall event in May 2022, during Hurricane Julia in October 2022, the insurance product did not trigger any payouts, although there was a high expectation of payment among the population. This was because the minimum levels of rain to trigger the insurance payout were not reached according to satellite rainfall estimates.

Overall, findings from the PDM and the implementation of the insurance scheme made it possible to identify the following improvement opportunities: 1) adjust the insurance payment tables and triggers to be able to make an initial payment that is above the investment in time and money from the beneficiaries to claim their payment; 2) use national information sources for the risks of excessive rainfall and drought; and 3) improve and streamline the claims settlement and enrollment processes.

2022 KEY ACHIEVEMENTS



Established a partnership with the Agricultural Technology and Transfer Center (CENTA), as part of the Government's involvement in the microinsurance scale-up process.



1,180 smallholder farmers were trained in financial education and microinsurance. 39 days of field trainings were carried out to sensitize farmers on insurance, its benefits and technicalities.




The Ministry of Agriculture has shown interest in participating in the scaling-up process with 500,000 smallholder farmers who are beneficiaries of the "agricultural packages" programme.





2,144 people (41 percent women) benefitted from microinsurance and 231 people (38 percent women) benefitted from insurance payouts.


GUATEMALA


 With financial support from Government of Canada, European Union, IFAD and WFP funds


Microinsurance and ICRM


 **46,850** people covered with microinsurance


 **9,370** households insured


 **US\$263,581** of insurance premium

 **US\$3.7 million** of sum insured

 **US\$292,352** of payouts triggered, benefitting **34,060** people

 **4,500** participants engaged in financial inclusion initiatives promoted by WFP

 **US\$352,400** of savings made by participants of financial inclusion initiatives promoted by WFP

 **US\$140,900** of loans accessed by participants of financial inclusion initiatives

COUNTRY CONTEXT



In 2022, Guatemala experienced several significant climate events that had a severe impact on the country. These included severe droughts and hurricanes, which caused widespread damage to infrastructure and left many communities vulnerable to climate-related disasters. In the political context, the country continued to face significant challenges, including corruption and human rights abuses. Social unrest and protests erupted over these issues, with many Guatemalans calling for reforms and greater accountability from their leaders. Despite these challenges, there were also some positive developments in 2022, including efforts to strengthen democracy and promote social justice, which offer hope for a better future for the country.

CLIMATE RISK FINANCING AND INSURANCE IN GUATEMALA

WFP Guatemala uses a comprehensive risk finance approach to support vulnerable communities and enhance their resilience to shocks. WFP implements various risk financing tools, including microinsurance, and financial inclusion through saving groups initiatives, which are integrated into their programmes. Microinsurance falls under Strategic Outcome 2 (SO2) of the Country Strategic Plan (CSP) and aims to provide protection against specific risks such as crop failures, pests, or weather-related events. Financial inclusion falls under SO1 and aims to provide access to financial services, such as savings and credit to vulnerable communities. These tools are integrated into WFP programmes, such as Smallholder Agricultural Market Support (SAMS), school feeding, nutrition, social protection, and cash-based transfer (CBT), to help build resilience and improve food security in Guatemala.

2022 PROGRESS

During 2022, WFP Guatemala focused on several key activities to improve and expand its microinsurance product. These activities included designing new coverages to provide more comprehensive protection for beneficiaries, as well as re-adapting financial education materials to better meet their needs. In addition, WFP worked to scale up its microinsurance pilot programme, with a particular focus on integrating municipalities and NGOs as growth partners. To help make the product more accessible to beneficiaries, WFP also implemented a smart subsidies strategy at the field level, in which beneficiaries paid only 10 percent of the premium price. These efforts were aimed at improving the effectiveness of the microinsurance product and ensuring that it reached a wider audience of vulnerable individuals and communities.

In 2022, the microinsurance programme in Guatemala achieved significant milestones. The educational material was translated into local languages, which improved the understanding of the product. A new temperature coverage design was introduced based on beneficiaries' feedback, and a Forecast Index Insurance initiative was designed, along with an Anticipatory Actions pilot, to be implemented in 2023. Under the Forecast Index Insurance initiative, the product will incorporate a preliminary payout trigger so beneficiaries can implement anticipatory actions in advance of extended dry spells.

Moreover, the programme was scaled up to 9,370 households (benefitting over 46,800 people), exceeding the initial goal by 49 percent, through the integration of municipalities and NGOs to reach more communities based on eligibility criteria. Additionally, as part of the implementation of the smart subsidies strategy, almost 2,000 households paid 10 percent of the premium. Finally, during the storm season in September and October of 2022, more than 6,000 households (benefitting over 34,000 people) received payouts for excess rain coverage, demonstrating the program's effectiveness in protecting vulnerable populations from weather-related risks.

2022 KEY ACHIEVEMENTS



Partnerships established with NGOs and municipalities to scale-up the approach.



A Forecast Index Insurance initiative is being developed as part of the scale up strategy within WFP Guatemala's Anticipatory Action (AA) portfolio.



Almost 2,000 beneficiary households contributed 10 percent of their insurance premium in cash.




Over US\$292,300 in insurance payouts were triggered in 2022, benefitting 34,000 people.




Damaris Reyes is a WFP beneficiary living in the community of La Lima, in the department of Chiquimula, Guatemala.


© WFP/Giulio d'Adamo


HAITI

 With financial support from SDC

Microinsurance and ICRM

 **4,990** people covered with microinsurance

 **US\$449,100** of insurance premium

 **US\$4.49 million** of sum insured

COUNTRY CONTEXT



Over the past three years, Haiti experienced a growing deterioration of its political, social, security and economic situation. Nearly 60 percent of the population live below the poverty line. A 7.2 magnitude Earthquake struck the southern peninsula in 2021, affecting some 690,000 people. Haiti is the third most affected country in the world by the climate crisis, with 96 percent of its population living under the threat of at least two major risks according to the World Bank. According to the latest October 2022 IPC analysis, one in two households is facing acute food insecurity.



First distribution of microinsurance subscription forms to beneficiaries after completion of Insurance for Training as conditionality.

© ROPAGA/Project team

CLIMATE RISK FINANCING AND INSURANCE IN HAITI

WFP Haiti is strengthening its climate action portfolio, partnering to scale up integrated risk management and climate-resilient services – including anticipatory actions, risk transfer mechanisms, sustainable energy solutions and climate services- that contribute to food security, nutrition, and resilience to shocks of community members in risk-prone areas. Specifically, WFP Haiti is introducing complementary Climate and Disaster Risk Financing Instruments (CDRFI), starting with a microinsurance pilot in 2022. Moving forward, WFP will introduce additional CDRFI tools that can complement microinsurance through providing protection for different levels or types of risks. These instruments include Anticipatory Action (AA), which triggers support based on forecasts, and macroinsurance that provides coverage from catastrophic shocks at the national level. With these solutions, WFP Haiti also intends to complement other WFP interventions aiming at reinforcing smallholder farmers' capacities and livelihoods, such as Home-grown School Feeding (HGSF), enhancing local purchases in support of smallholder farmers and increasing the number of schools participating in the programme.

2022 PROGRESS

In 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 11 communes of the Grand Anse and Sud departments. Over 1,000 of these farmers are also beneficiaries of WFP's Food for Assets (FFA) programmes and four percent of the beneficiaries are also covered by the social protection programme Sociale Adaptative pour une Résilience Accrue (PSARA). The insurance product covers losses caused by excess rain and rain deficit. The product considers the production cost over the period of one year as sum insured, resulting in a maximum payout of around US\$900 per farmer, evenly divided between both risks.

Access to insurance was conditional to terms such as insurance for work, and insurance for training, to establish a level of willingness to pay within communities, from project inception into scaling phase. A smart subsidy approach will be implemented during the scaling up phase, leading to gradual transfer of premium payments to the insured beneficiary, and implementation of WFP's exit strategy within three years of WFP support and according to beneficiaries' willingness and ability to pay.

Although this project is still in the pilot stage, the scale up strategy design process is underway, which also includes AIC's commercial strategy starting in 2024. 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.

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 linked with country-level catastrophe policies offered by the Caribbean Catastrophic Risk Insurance Facility (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.

2022 KEY ACHIEVEMENTS



Nearly 4,000 farmers trained in risk mitigation, risk management, and financial education for better financial discipline and acceptance of insurance coverage as part of financial planning.



Building programmatic synergies will allow WFP Haiti to scale up the microinsurance coverage in four different geographic locations.




WFP works in close partnership with the local insurance company. Local aggregators, such as networks of smallholder farmers, form partnerships with the insurance company, as distribution partners, and play the role of policy holders.





Over 1,000 Food for Assets (FFA) beneficiaries have worked on restoration of portable water system, gully correction and rehabilitation of roads.

NICARAGUA


 With financial support from European Union, Government of Canada, WFP funds


Microinsurance and ICRM

 **2,160** people covered with microinsurance

 **432** households insured


 **US\$37,731** of insurance premium


 **US\$312,778** of sum insured

 **US\$7,649** of payouts triggered, benefitting **155** people

Macroinsurance

 **98,194** people covered with macroinsurance

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

 **US\$2.1 million** of sum insured

COUNTRY CONTEXT



In 2022, Nicaragua continued experiencing a fragile economic recovery that began in 2021 after the protracted effects of the COVID-19 pandemic and Hurricanes Eta and Iota. In addition, climate variability and the effects of the global food crisis posed significant challenges for the food security of Nicaraguan families whose livelihoods are already burdened from the impact of recent shocks and cumulative crises. In this context, WFP's mandate to save lives and change lives took on renewed relevance.

CLIMATE RISK FINANCING AND INSURANCE IN NICARAGUA

As part of the climate and disaster risk financing approach, WFP Nicaragua implements both microinsurance and macroinsurance programmes. Since 2021, WFP Nicaragua has been promoting a microinsurance solution as one component of WFP's flagship integrated climate risk management approach, the R4 Rural Resilience Initiative (R4). Activities promoted by WFP Nicaragua include income-generation, asset creation, environmental rehabilitation, community governance, and nutrition, as well as social and behaviour-change communication. As of 2022, to strengthen the shock-responsiveness of government systems, WFP Nicaragua is supporting a sovereign insurance product, providing macro-level financial protection. The approach enables the Government and WFP to assist vulnerable people and communities with pre-arranged funding in case of extreme climate shocks, such as hurricanes.

2022 PROGRESS

After the successful microinsurance pilot in 2021, WFP Nicaragua continued protecting smallholder farmers against climate risks through agricultural insurance, insuring a total of 432 households (54 percent women) and benefitting over 2,000 people in 2022. Activities this year focused on raising awareness on the benefits of insurance, product enhancement, and strengthening linkages with conditional activities as part of the sustainability strategy, including soil and water conservation, recycling and reforestation. Following drought conditions in 2022, over US\$7,600 in insurance payouts were triggered, allowing participants to protect their productive investments and meet their households' needs, including by repaying their loans, purchasing food and medicine.

Beginning in 2022, WFP Nicaragua also started supporting a sovereign insurance product, providing a macro-level financial protection. Specifically, WFP provided a top-up to the Government's tropical cyclone policy offered by the Caribbean Catastrophic Risk Insurance Facility (CCRIF SPC). Following the impacts of Hurricane Julia, which made landfall in Nicaragua in October 2022 and affected almost four million people, the sovereign insurance policy triggered a payout, with CCRIF SPC disbursing US\$8.9 million to the Government of Nicaragua. Of this amount, WFP received compensation of US\$640,000, which was used to complement the emergency response and implement early recovery of livelihoods, resilience and environmental programmes for 290,000 people in coordination with the national and local authorities of Nicaragua.

WFP's immediate response included provision of take-home rations through schools in 12 municipalities, and special nutritional support to vulnerable groups (elderly, families with multiple births, children aged 6 to 23 months, pregnant women and lactating mothers). WFP provided an additional school meal for school boys and girls for 60 days as well as take-home rations for the families of children enrolled in school for a total of 150,000 people. As part of the recovery programme to reinforce communities' resilience to climate shocks, WFP is also supporting the creation and improvement of school gardens and delivering fruit trees to farming families to improve the food security of students in 600 rural and urban schools. Finally, WFP is providing cash transfers of US\$300 to impacted families for the recovery of their urban, peri-urban and rural livelihoods, as well as support in the preparation of business plans and trainings.

2022 KEY ACHIEVEMENTS



WFP provided a top-up to the Government's tropical cyclone policy offered by CCRIF SPC.



Over 2,000 people covered with microinsurance in 2022.



WFP received US\$640,000 out of the total insurance payout of US\$8.9 million paid to the Government of Nicaragua by CCRIF SPC following the impacts of Hurricane Julia.



Over US\$312,000 in financial protection provided to smallholder farmers in Nicaragua



STORIES FROM THE FIELD

Luckily I had agricultural insurance

María Inés Rodríguez is a 52-year-old smallholder farmer living in the dry zone of northern Nicaragua. With her family, she dedicates herself to the same work as her ancestors: planting maize and beans for her family's livelihood.

As a member of the Nuevo Horizonte cooperative in El Júcaro, Nueva Segovia, she participates in the programmes promoted by the World Food Programme (WFP) to strengthen productive capacities, resilience, and access to new markets.

This smallholder farmer planted 3.4 acres in the last production cycle, half of which were planted with beans and the other half with maize. Like other smallholder farmers in the area, Rodríguez gradually noticed how climate variability affected the beans.

"First I looked at the green bushes. I thought I was going to harvest 20 quintals or more. But it didn't rain enough, and we lost the entire harvest," Rodríguez explains.

The events caused by the climate crisis have an impact on the food and nutrition security of the most vulnerable families. They prevent farmers from continuing their productive activities because, with no harvest to sell, they cannot pay back the loans they took out to plant.



María Rodríguez, remembering the year 2022 and the difficulties brought on by the drought.

© WFP/Sabrina Quezada



Nicaraguan smallholder farmer tells of her experience

WITH MICROINSURANCE THEY GET AHEAD

To help reduce the impact of the climate crisis and build resilience, WFP provided agricultural insurance policies to 432 smallholder farmers organized in cooperatives and associations. This new initiative, which is being promoted by WFP with support from the European Union and Canada, transfers the risk of crop failure due to weather and biological events to the private insurance market.

At the Nuevo Horizonte Cooperative, 36 producers received agricultural insurance, including Rodríguez. “We worked so hard and lived in debt when we lost our crops because we had to pay back the loans we took out to plant,” says Rodríguez.

To plant her two plots, the cooperative gave Rodríguez US\$194 as a loan, which she used to buy seeds, fertilizer, and other inputs. The maize withstood the lack of rain, but the bean plants wilted.

“Luckily we had agricultural insurance! It was as if it fell out of the sky that I received the payment,” says the excited smallholder farmer, who received US\$213 from the insurance company for her losses.

The maize plot produced 20 quintals of maize, which represents US\$420 on the local market. After paying off the loan for the inputs for the two plots, Rodríguez’s profit will reach US\$439. She will sell part of the harvest and will leave the rest for home consumption.

“Now I feel calm and protected. I have food for my family and no debts”, she concludes.



Drought conditions in 2022 negatively affected the crops in Nueva Segovia, Nicaragua.

© WFP/Sabrina Quezada



Raising awareness about insurance and assessing farmers' willingness and ability to pay through games, in Tete, Mozambique.

© WFP/Susanna De Sousa

Findings and Lessons

WFP has invested in establishing a robust monitoring, evaluation and learning (MEL) system to gather lessons, measure the performance, inform adaptive programming, ensure accountability, and assess the impact and effectiveness of its climate risk insurance programmes. The internal MEL system is complemented by externally-led analyses, reviews, learning exercises and evaluations of WFP-supported climate insurance programmes. Gathering lessons and generating evidence is of particular interest to WFP 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 a series of MEL exercises of WFP-supported climate risk insurance programmes in 2022. WFP initiated three studies in 2022 on the benefits of managing risks in a forward-looking and preventative manner, findings of which will be shared in upcoming reports. Additional impact evaluations will also be conducted in 2023.

Evidence from WFP-supported microinsurance programmes

Insurance as shock-responsive financial protection

In Ethiopia, between August 2021 and February 2022, 28,297 pastoralist households insured through policies subscribed to the Somali region government offices received payouts totaling US\$1.8 million over three rounds of consecutive distributions as drought persisted in the region. Surveys conducted after the disbursement of payouts revealed that 70 percent of the pastoralists utilized their assistance within the first week, with 48 percent of the payout going towards protecting livestock (33 percent on feed and 15 percent on animal health). This shows how index-based livestock insurance can help families to maintain their herds through the harsh drought conditions.

Figure 1. Payout expenditure on livestock protection in Ethiopia

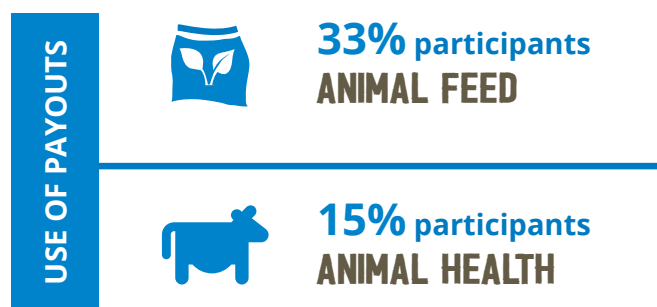
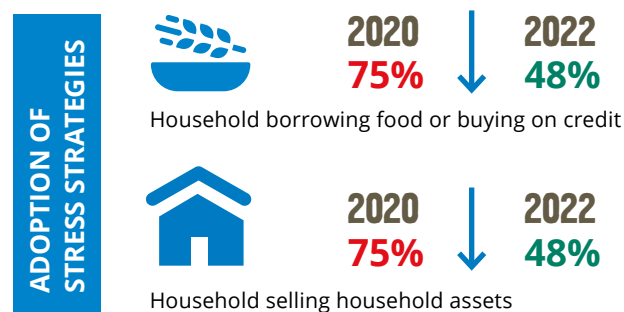


Figure 2. Evolution of indicators in Ethiopia



Between 2020 and 2022, there has been a notable reduction in the levels of stress encountered by households in times of food scarcity. The percentage of households adopting consumption-based negative coping strategies (such as eating less preferred food, reducing the size of meals or the number of meals eaten per day) decreased from 19 percent in 2020 to 11 percent in 2022. The adoption of stress strategies has also decreased during these years. Specifically, the percentage of households borrowing food or purchasing them on credit decreased from 75 percent in 2020 to 48 percent in 2022 and the proportion of families selling households assets decreased from 18 percent in 2020 to three percent in 2022. In addition, while the drought affected most households and led to migration to other location or selling of houses or land, overall, significant reductions were observed in the proportion of households who migrated, decreasing from 18 percent in 2020 to five percent in 2022.

In **Malawi**, following district-level awareness campaigns on the insurance product, monitoring data showed participants' willingness to contribute to insurance as high as 82 percent for project participants and 64 percent for non-participants, highlighting the overall interest in insurance and potential for scale-up.

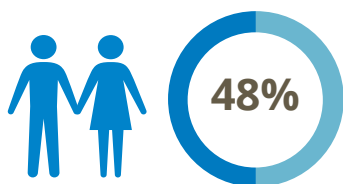
In **Bangladesh**, the post distribution monitoring survey conducted after payouts distribution reported that 99 percent of the respondents expressed their willingness to purchase insurance products in the future, denoting that there is high demand for such services at the field level. In **Ethiopia**, 84 percent of the households covered by index-based livestock insurance mentioned they are willing to pay a contribution in cash for insurance in the future. Moreover, in Ethiopia, most respondents were satisfied with the amount of payout received (81 percent in August 2021 and 67 percent in March 2022), with the ease of access (97 percent August 2021 and 94 percent in March 2022) and with the information received during the payouts (96 percent in August 2021 and 99 percent in March 2022).

Participants' willingness to purchase insurance

Figure 3. Participants' willingness to purchase insurance in Bangladesh, Ethiopia and Malawi



Figure 4. 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 Ethiopia, 48 percent of the households reported that the decision on how to utilise the assistance was made by both adult females and male of the household.

Evidence from WFP-supported sovereign insurance programmes

Safeguarding food security through insurance payout-funded assistance

Following severe drought conditions during the 2021/22 agricultural season, WFP received US\$9.4 million worth of insurance payouts from the African Risk Capacity (ARC) Limited. Specifically, WFP received US\$7.1 million for Mali, US\$1.2 million for Burkina Faso and US\$1.1 million for Mauritania. The funds from the payouts enabled WFP to effectively assist vulnerable and food-insecure populations in these countries, limiting the devastating impacts of the drought.

Surveys conducted following the payout-funded interventions revealed how providing timely assistance was fundamental in guaranteeing the food security of the most vulnerable. In **Mauritania**, the ARC Replica payout enabled WFP to provide early humanitarian assistance through cash transfers that could limit the impacts of the crisis on vulnerable households. Overall, the assistance has improved food consumption among beneficiaries and allowed them to maintain food diversity despite the inflationary conditions prevailing on the markets. The early assistance also helped to reduce the adoption of negative coping strategies among beneficiaries, including crisis strategies (such as selling productive assets or

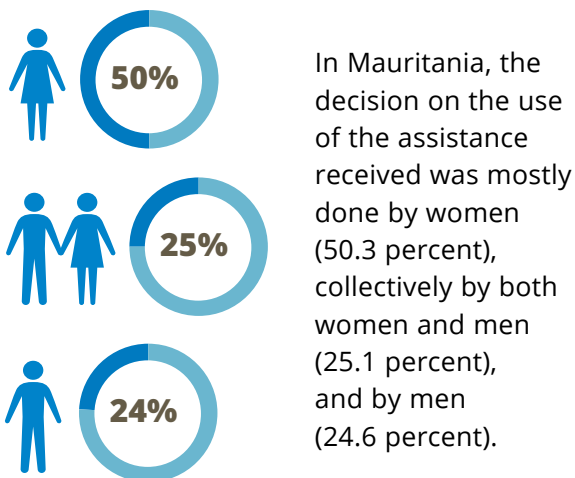
reducing essential non-food expenditure (like education or health) and emergency strategies (such as selling the house or land). However, despite the improvement noted, some households still adopted consumption coping strategies, particularly eating less expensive and less preferred foods and seeking help from friends and relatives.

Moreover, the proportion of households considered economically vulnerable – committing more than 75 percent of their resources to the acquisition of food products – has also decreased from 81 percent to 67 percent, following the assistance. Findings from the survey also revealed an improvement in the food insecurity levels, with the percentage of food-insecure households decreasing from 15 to 11 percent. Overall, the early humanitarian assistance funded by the insurance payouts has enabled households to recover from the consequences of acute food insecurity through the diversification of income sources or the acquisition of assets lost at the start of the crisis.

Table 2. Mauritania’s Early Humanitarian Assistance per household size

HOUSEHOLD SIZE	ASSISTANCE COVERING MAY TO JUNE (US\$)
1 TO 4 PEOPLE	US\$97.30
5 PEOPLE	US\$121.60
6 PEOPLE	US\$145.90
7 PEOPLE	US\$170.30
8 PEOPLE	US\$194.60
9 PEOPLE	US\$218.90
10 PEOPLE OR MORE	US\$243.20

Figure 5. Decision-making in Mauritania on the use of the assistance



The cash transfer was mainly used to purchase food (90 percent of households), followed by debt repayment, highlighting the importance of the assistance in ensuring the food security of targeted beneficiaries. In terms of food purchases, households mainly used the assistance to buy essential items such as rice, oil, sugar and legumes.

In **Burkina Faso**, the ARC Replica payout enabled WFP to provide early food assistance through unconditional cash transfers to the most vulnerable households. Majority of households utilized the money from the assistance to purchase food (94 percent), followed by the purchase of agricultural inputs. The cash transfer effectively enabled beneficiaries to purchase food items to meet their food and nutritional needs, helping them to safeguard food security and preventing households from falling into a state of food and nutrition crisis.

Overall, participants were satisfied with the assistance received in both countries. In Mauritania, 78 percent were very satisfied with the assistance and 20 percent of participants were satisfied. In Burkina Faso, more than 96 percent of the beneficiaries stated that they were satisfied or very satisfied with the amount of assistance received.

Figure 6. Top priority expenditure (food) in Burkina Faso and Mauritania



An impact evaluation is currently being conducted in Mali to gather more evidence around the added value and effectiveness of the ARC Replica funded early response compared to regular lean season support, findings of which will be shared in the upcoming year.



ARC Replica beneficiary Zourata in her village of Trengressené, in the centre-north of Burkina Faso.

© WFP Burkina Faso/Cheick Omar Bandaog



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

© WFP/Sabrina Quezada

Gender and Climate Risk Insurance

Women and girls across the world have been significantly affected by the unfolding global food crisis, exacerbated by climate shocks, increased conflict, health, and economic crisis. There is a variety of evidence on the disproportionate impacts and losses that women and girls face in terms of personal security, mobility, health outcomes, and access to food and livelihood opportunities in times of crisis, including following climate extremes. Women often already live with unequal gender roles and have limited access to and control over productive assets, land, and financial services to support them in times of crisis. As communities are affected by the climate crisis, these inequalities are often reinforced.

Nevertheless, women play a critical role in food production, climate change adaptation and mitigation, and therefore are fundamental to building sustainable food systems and climate resilience within their families and communities.

The pursuit of gender equality and women's empowerment is central to WFP's mission of saving lives and changing lives and supporting countries in their efforts to achieve the Sustainable Development Goals. The WFP Gender Policy 2022-2026 aims to optimize WFP presence, role, and partnership capabilities to advance gender equality and empower women. It stresses the importance of equality in resources, opportunities, and an equal voice to shape the lives of all within households, communities, and societies. The three main objectives of the policy are: i) equitable access to and control over the means to achieve food security and nutrition; ii) addressing the root causes of gender inequality affecting food security nutrition; and iii) and advancing the economic empowerment of women and girls.

Women's economic empowerment remains one of the most powerful routes for women to achieve their potential, while advancing their rights. For over a

decade, WFP has been supporting climate risk insurance as an important piece of the strategy for building women's economic empowerment and resilience for all, women, girls, boys, and men. The fast recovery and financial protection from loss and damages that access to climate risk insurance can provide helps countries and households to better manage the impacts of the climate crisis.

WFP has been implementing climate risk insurance through its micro, meso, and sovereign or macro-level insurance programmes. Under its sovereign insurance programmes, WFP partners with national governments and regional risk pools to purchase an insurance product or top-up premium finance for an existing policy. This approach enables governments and WFP to assist



© WFP Mali/Aboubacar Sidibe

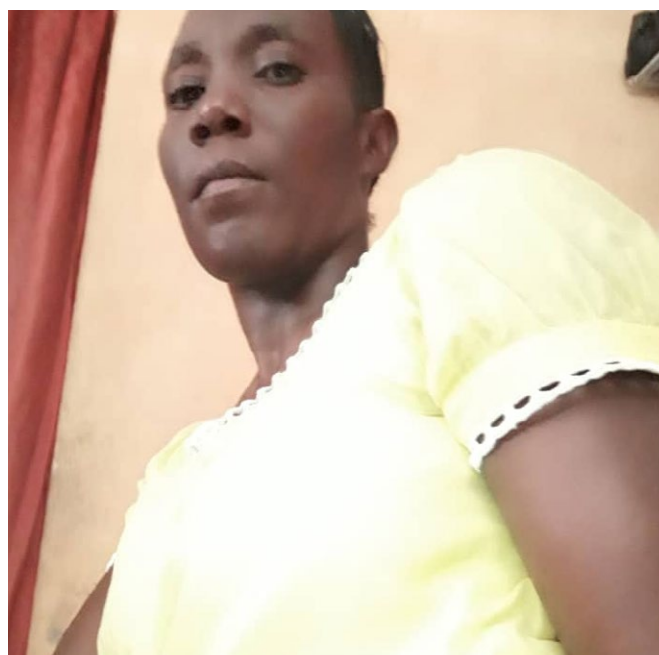
Hatouma Diawara is a 75-year-old widow living in the small village of Bouly in Nioro, a region in southern Mali very prone to climate shocks. Following catastrophic drought conditions, she received a cash transfer from WFP under the ARC-Replica response.

“When I received the cash transfer, I was so happy. I used the money to buy 50 kg of maize, and with the remaining, I purchased a solar panel with its battery,”

vulnerable people and communities with pre-arranged funding, facilitating rapid responses in case of extreme climate shocks. Under its meso or microinsurance programmes, WFP supports access to insurance through an integrated risk management approach that combines other tools, including nature-based solutions, savings and loans, among others. These tools complement each other and provide support for different risk severity levels, as insurance is not a standalone solution for managing a variety of risks.

Manise (38), lives in Deschamps, a section in the Commune of Roseau, in Grand Anse, Haiti. The commune of Roseau is often subject to intense droughts and dry spells. In 2022, Manise and some of her group members had access to insurance for the very first time.

“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,”



© WFP Haiti/Isabelle Delpeche

Norma (32), lives in Uluazapa, El Salvador, an area highly prone to extreme climate phenomena, especially droughts. Norma is a leader in her community and has motivated many other women to participate in WFP's projects of savings groups and insurance.

“After the storm, comes the calm weather. I felt extremely happy in receiving the payout from the insurance company,”



© WFP El Salvador/Gabriela Moreno

Over the years, WFP's climate risk insurance and related interventions have been helping women to safeguard and strengthen their livelihoods, ensure food security of their households, and build their resilience, even in the face of increasing climatic shocks. These solutions have also had a positive impact on women's decision making and financial autonomy. By increasing access to these solutions, from governments to climate-vulnerable women, girls, boys and men, communities can be more empowered and can become more resilient to growing climate risks.

To share learning and best practices 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 Centre of Excellence (CoE) on Gender-smart Solutions. In 2022, WFP was awarded a Technical Advisory Facility on Gender-smart Monitoring and Evaluation of Climate and Disaster Risk Finance and Insurance (CDRFI) Programmes from the InsuResilience

Zourata Bargo (58), a mother of four lives in the village of Trengressené, in the centre-north of Burkina Faso. Zourata was among the households targeted for support under the ARC Replica payout following the unsuccessful 2021-2022 agricultural season.

“[The ARC Replica payout] “allowed us to buy millet grains, fertilizer for my field and I used the rest for the care of my family members,”



© WFP Burkina Faso/Cheick Omar Bandaog

CoE. The technical support aims to improve the gender-smartness of current monitoring and evaluation frameworks and tools. Findings and lessons from the technical support are expected in 2023.

WFP is committed to advancing the objectives of the gender policy through its climate risk insurance programmes. The stories of female insurance beneficiaries show how these goals can be achieved through different approaches, with the shared vision of financial protection for the most vulnerable from climate and other risks.



Odile, microinsurance beneficiary in Anjahamahavelo, Madagascar.

© WFP/Alice Rahmoun

Mainstreaming Climate Risk Insurance in WFP Programmes and Operations

WFP's Strategic Plan 2022-2025 highlights the need to design integrated and risk-informed programmes to help governments, communities and households build stronger capacities to manage multiple risks, including climate-related shocks. As part of this, WFP has been increasingly integrating climate risk management interventions into its programmes and operations, including WFP-supported climate risk insurance solutions.

In 2022, WFP continued to mainstream climate risk insurance into different WFP workstreams, including social protection, cash-based transfer, anticipatory action, emergency preparedness and Smallholder Agricultural Market Support. Below are the key achievements and key entry points for collaboration that were identified in 2022. In the upcoming years, WFP will continue to strengthen these linkages for integrated programming, with the overall aim of increasing the resilience of people and governments against increasing climate-related risks.

Insurance and Social Protection

WFP-supported climate risk insurance programmes, if properly linked with nationally-led social protection systems, can provide a protective, shock-responsive layer for the beneficiaries of these programmes through an influx of financing when it is needed most. Establishing these linkages for macroinsurance payouts can improve the speed and efficiency of assistance reaching vulnerable households by leveraging the existing structures for targeting recipients, cash distribution and community engagement. Social protection can also be an effective entry point for scaling up access to microinsurance for vulnerable farmers and pastoralists, ensuring insurance products can reach this market segment and provide financial protection from climate-related loss and damage.

In 2022, WFP's Climate Risk Insurance team effectively engaged with WFP colleagues in the Social Protection Unit, to further develop these linkages with an aim towards operationalizing the collaboration in WFP's country programmes. At the global level, the two teams collaborated on a [set of five case studies](#) that highlighted how WFP's microinsurance programmes are currently linked with various government-led social protection schemes. Additionally, the Social Protection Unit convened a learning session during the WFP Global Social Protection Retreat, which brought WFP Social Protection focal points from across the organization together to discuss WFP's experiences in Fiji when [climate risk insurance was provided to social protection system beneficiaries](#). This was followed by a session convened during the Climate Risk Insurance Team Retreat that provided an opportunity to identify entry points for insurance and social protection.

This collaboration has also continued through a research initiative started in 2022 that explores and presents a practical guidance on the linkages between Disaster Risk Financing, including macroinsurance, and Social Protection. It also provides recommendations for WFP to further realise its potential in this area, taking into consideration the organisation's value-add.

Insurance and Cash-based Transfers

WFP supported Climate Risk Insurance and Cash Transfers operations, specifically where these focus on building people's digital financial inclusion, are closely aligned in their nature and expected outcomes. In fact, these initiatives aim at strengthening peoples, and particularly women's, financial protection and resilience by facilitating access to financial services and, when feasible, connecting them to digital financial products.

WFP-provided humanitarian cash transfers, as well as Government-to-Person (G2P) payment programmes that WFP supports, can provide unbanked and underserved persons with their first access to—and use of—formal financial services. Cash transfers, when purposefully planned, can therefore support longer-term goals such as Digital Financial Inclusion (DFI) and Women's Economic Empowerment (WEE). At the same time, access to financial services such as microinsurance, savings, and credit, along with financial education, consumer protection and empowerment, can help women and men better cope with shocks, including climate-related shocks, build financial resilience, and invest in their futures.

WFP's Climate Risk Insurance and CBT Digital Financial Inclusion teams collaborated in 2022 to identify possible partnership links and synergies. CBT's DFI colleagues also participated in the Global Climate Risk Insurance retreat in December of 2022, where practical entry points were reiterated. In 2023, the two teams will further explore the initial interlinkages identified in two countries implementing both insurance and CBT/DFI programmes, namely Haiti and Mozambique.



Khadija insured her crop against climate shock and received a payout as a compensation for her failed harvest in 2021, Malawi.

© WFP/Badre Bahaji

Insurance and Emergency Response

WFP is the world's leading humanitarian agency, and has decades of experience in emergency response, funded through either specific contributions or WFP's Immediate Response Account (IRA).

The Immediate Response Account (IRA) is WFP's emergency reserve for the immediate allocation of flexible, replenishable, revolving multilateral funding to critical life-saving activities across the emergency response cycle – when there is no immediate viable funding source. It is not intended to fully fund an emergency, but rather to enable WFP to initiate an urgent response to save lives while additional funding is sought. The IRA has the ability to approve and allocate funds within 72 hours of crisis onset.

Under WFP's macroinsurance programmes in particular, response planning and preparedness is a key component needed to make the best use of resources generated by insurance payouts. In 2022, WFP's Climate Risk Insurance team has begun discussions with the IRA team to understand how WFP can better align its resources to ensure people affected by crises receive support as timely and effectively as possible, regardless of the source of the funding.

The Climate Risk Insurance team has also been discussing with WFP's Emergency Preparedness team to understand how the two teams can collaborate to help improve country offices' abilities to respond immediately after a crisis. Discussions on areas for collaboration have included targeting practices, transfer value variation across the crisis response timeline, and sharing of data in advance of a crisis to enable better response readiness. On the former, the Emergencies Preparedness team has provided a training to the climate risk insurance team on certain crisis prediction data and platforms they manage, and has added the insurance team to mailing lists that will ensure the team receives forecasts for crises relevant to the insurance portfolio so the insurance team can follow up with relevant country offices and improve their readiness to implement or support with payouts.

Insurance and Anticipatory Action

The climate risk insurance and anticipatory action (AA) teams have seen their portfolio expand and grow very quickly over the last two years. It has been a fine balance during this period between focusing on scaling up and ensuring implementation was going as expected for both AA and insurance, defining the scope of each workstream, and understanding each tool and processes to build a more integrated approach.

Smartly sequenced and integrated, these tools have the potential to make climate action and humanitarian action more efficient. On the one hand, anticipatory action is demonstrating a strong impact on beneficiaries, with a dignifying effect, as much as a significant reduction of the response cost. On the other hand, insurance is showing its capacity to leverage private sector resources at scale when a climate extreme occurs.

Together in 2022, WFP provided direct and indirect financial protection of over US\$400 million to more than 5.5 million people. Our goal is to reach at least US\$1 billion of global coverage by 2025. In addition, WFP is currently working on building a more efficient sequencing of climate-financing mechanisms before and after the shock occurs by refining the use of data, system design, targeting and preparedness. This has the potential to increase outreach, impact on most impacted populations and reduce the cost of the overall response. Some research projects have been initiated in order to gather more evidence, optimize the use of public resources and test this approach in the field.



Focus Group Discussion in Malawi.
© WFP/Oda Henriksen

Insurance and Smallholder Agricultural Market Support (SAMS)

Enabling smallholder farmers to transition from a context of food insecurity and high vulnerability to sustainable food production and income generation allows WFP to achieve SDG-2 Zero Hunger. Such transition is achieved by linking complementary activities that can protect them from various climate and production-related risks, stimulate their production and connect them to stable markets.

Insurance, as part of an integrated climate risk management approach, and WFP's Smallholder Agricultural Market Support (SAMS) interventions are deeply interlinked and can complement each other in many ways. Both interventions are aimed at improving the productivity, resilience, incomes, access to markets and livelihoods of smallholder farmers through an integrated package of services. This package includes services such as access to financial services, including insurance; inputs; technical support to adopt better farming practices; post-harvest management, which in turn could unlock access to formal and remunerative markets. Insurance is a key component of such package as it provides protection against climate-related risks, which incentivizes farmers to invest in their agricultural production and in income-generating activities. Insurance can also be an enabler to have access to credit in better conditions and to de-risk other stakeholders of the value chains, which helps to promote the sustainability of the model. On the other hand, SAMS-specific activities have the potential to improve farmers agricultural production, strengthening rural economies, and building stronger food systems.

In 2022, WFP's Climate Risk Insurance and SAMS teams engaged to identify potential linkages and synergies for collaboration. Specifically, SAMS colleagues held a session during the Global Climate Risk Insurance retreat, where practical entry points along the SAMS framework (buyers; smallholder farmers; aggregators; and consumers) were discussed and identified. In 2023, the two teams will validate the interlinkages initially mapped in some countries with existing insurance and SAMS programmes. Lessons learned will be gathered to identify good practices, challenges and opportunities for continued collaboration and integration between the two workstreams.

Box 4

MICROINSURANCE SUSTAINABILITY STRATEGY

WFP is implementing a new approach based on lessons learned from over 12 years of operations in more than 20 countries. This is to ensure that its insurance interventions, promoted as part of an integrated climate risk management model, are sustainable and scalable over the mid and long term. This strategy focuses on building, jointly with public and private stakeholders, the enabling conditions to develop inclusive climate risk insurance markets. By doing so, WFP is promoting access to a wide portfolio of robust risk financing tools that can build vulnerable and food insecure population's climate resilience.

The strategy has six components:

- 1. Appropriate country selection:** Minimum supply, demand, regulatory and policy conditions should be present.
- 2. Appropriate targeting and aggregation of beneficiaries:** A clear understanding of the needs, particularities and preferences of beneficiaries is critical to selecting the right risk financing tool and design the most valuable insurance scheme, that can be distributed and delivered through a financially sound model.
- 3. Appropriate integration of insurance with other components:** integration with other climate risk financing tools to ensure a risk layered approach; integration with interventions to build financial capabilities, such as savings and credit, and income-generating activities to ensure graduation; and integration with risk reduction and preparedness mechanisms to improve insurability and suitable pricing.
- 4. Smart subsidy strategy:** temporary subsidy to confront affordability barriers conditioned to the adoption of measures that promote graduation.
- 5. Strategic partnerships:** partnering with stakeholders who are genuinely interested in improving beneficiaries' livelihood conditions and who see that climate risk insurance is aligned with their own mandates; investing in capacity strengthening based on needs to develop insurance markets through cost-sharing approaches and business-oriented models to ensure ownership in the mid and long term; strong partnerships with governments.
- 6. Pushing the boundaries:** innovative approaches to promote (i) enhancement of emergency funds at the community level to increase absorption capacity for less severe shocks; (ii) developing products at the meso-level, for instance for local governments and cooperatives; (iii) developing insurance products based on forecasts to finance anticipatory actions; (iv) blended finance approaches; and (v) integrating digitalisation within R4.



Women walking through their fields to the irrigation system that was setup as part of the R4 interventions in their village in Malawi.

© WFP/Oda Henriksen

Looking Ahead

2022 has been a successful year, with WFP protecting over 3.8 million vulnerable people in 21 countries through climate risk insurance instruments, 1.2 million more than the previous year. A total of US\$12.6 million in insurance payouts — eight million more than the previous year — were disbursed following climate-related shocks, benefitting over 1.8 million people. WFP has also continued its engagement with global insurance networks and platforms in 2022- 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 UN Development Programme (UNDP), the UN Capital Development Fund (UNCDF), the International Fund for Agricultural Development (IFAD), the Africa Risk Capacity (ARC) and the Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC). Synergies and opportunities for increased collaboration were identified during the year that will allow WFP and partners to sustainably scale-up climate and disaster risk financing solutions globally.

WE AIM TO PROVIDE FINANCIAL PROTECTION TO 5 MILLION PEOPLE IN 2025 IN MORE THAN 20 COUNTRIES

In 2023, WFP will continue to help countries and households better manage the impacts of the climate crisis by promoting access to climate risk insurance across Africa, Asia and the Pacific and Latin America and the Caribbean. To achieve sustainable and inclusive growth, WFP will strengthen efforts to: mainstream its microinsurance and sovereign risk insurance programmes within and outside WFP; fostering linkages with different WFP programmes and workstreams; strengthening partnerships with local and international stakeholders; investing in innovative solutions and digitization; scaling up its interventions in existing countries, as well as expanding to new countries; and generating evidence on the value and impact of managing risks in a forward-looking and preventative manner. WFP will continue to engage with key platforms and networks such as the InsuResilience Global Partnership, the Insurance Development Forum and the MicroInsurance Network, but also actively contribute to the Loss & Damage process.

Below are the main focus areas and way forward for WFP's climate risk insurance programmes for the upcoming years.

Micro and Meso-level Insurance

For over a decade, WFP has pioneered an integrated climate risk management approach that has proved that unlocking access to insurance and to other financial services at the micro and meso levels is instrumental to build the climate resilience of food-insecure populations. WFP has facilitated access to insurance protection to about **8 million** food-insecure people around the globe, of whom, **2.4 million** have received payouts totaling **US\$11 million** during this period.

WFP's support has been provided by following two approaches: firstly, WFP has been directly implementing microinsurance schemes with local partners in more than 20 countries with the goal of building insurance awareness and exposure of communities and providing a proof of concept to governments and private stakeholders to encourage them to develop inclusive insurance markets. Secondly, WFP has been providing technical assistance to governments so they can develop local capacities to integrate and manage microinsurance schemes, such as in the case of Zambia and the Democratic Republic of Congo (DRC).

The focus for the future is to reinforce the conditions to build pathways towards sustainability of micro and meso-level insurance schemes, allowing WFP to provide financial protection to over **3 million people in 2025 in more than 20 countries**.

To achieve that goal, WFP is strengthening integration of insurance with:

- Other climate risk financing tools, such as Anticipatory Action, sovereign and macro-level insurance, to ensure a risk layered approach.
- With savings through the Savings and Insurance Layering (SAIL) approach that is going to be tested in Mozambique and other countries. SAIL aims to reinforce community emergency funds to reinforce risk retention capacity and build awareness about the complementary role of insurance, savings and other financial services to manage climate risks.
- With credit through innovative approaches such as blended finance and unlocking opportunities through digitalisation.
- With interventions promoting income-generating activities, access to markets, improvement of farming practices to ensure graduation.
- With risk reduction and preparedness mechanisms to improve insurability and suitable pricing.

WFP will keep working hard to tailor insurance schemes to the needs and particularities of the countries and target beneficiaries. WFP will continue promoting regional approaches such as the Africa Integrated Climate Risk Management (ACRIM) programme in the Sahel with IFAD, and the Partnerships for Central America with the World Bank in Guatemala, El Salvador, and Honduras.

WFP will continue its pioneering smart subsidy strategy, so premium support is provided only on a temporary basis: when a clear exit strategy is on the horizon; and conditioned to the adoption of measures that will increase livelihood conditions and climate resilience of beneficiaries. Moreover, WFP will keep exploring ways to protect indirectly food-insecure populations, for instance through innovative meso-level approaches, such as the one to be launched in 2023 in Kyrgyzstan that will insure local governments so they can support pastoralists to address the impacts of extreme winters and droughts.

WFP will keep pushing the boundaries to showcase the value that insurance has in a dire context of climate change by promoting innovation, including developing insurance products based on forecasts to finance anticipatory actions, with such a product currently being developed in Guatemala.

All of this requires strategic and robust partnerships with governments and with the private sector, which will be the key to ensure ownership in the mid and long term. WFP will keep supporting governments to strengthen their capacities so they can own the insurance schemes once WFP phases out. WFP will also keep working with the private sector to reinforce their capacities through business-oriented models where cooperation and sharing costs will be at the core. Finally, to make this work, WFP is working very closely with other UN Agencies who are engaged to promote access to insurance and other financial services to build climate resilience, such as IFAD, UNDP and UNCDF.

Sovereign and Macro-level Insurance

WFP is one of the pioneers and the leading organization working on macro-level insurance using sovereign risk pools. Since 2017 when the concept for the ARC Replica programme started to take form, WFP has purchased or contributed toward a government's purchase of **28 macro-level insurance policies** (23 for drought, four for tropical cyclones and one for excess rainfall) and in 2021 began expanding beyond Africa to Latin America and the Caribbean. These policies have protected more than **5 million people** from catastrophic climate risks.

In 2022, WFP received its largest contribution toward the macro-insurance portfolio to date and was the first ever recipient of funds from the Global Shield Financing Facility (GSFF), a multi-donor trust fund managed by the World Bank and supported by Germany and the United Kingdom. This contribution, along with those from our existing donors, will help WFP to continue providing capacity strengthening support and technical assistance on climate and disaster risk financing instruments to our government partners, improve our payout response readiness and support our government partners to do

the same, and enable WFP to provide protection to more people vulnerable to extreme climate risks, across more countries.

In 2023, WFP aims to continue our work across all countries in the portfolio, while also expanding to Mozambique, Sudan and Zambia under the ARC Replica programme. WFP will also begin preparatory work in Niger and Somalia to be able to buy insurance for the 2024/25 agricultural season. In addition, WFP will commence work in 2023 to expand to one new risk pool -either the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) or the Pacific Catastrophe Risk Insurance Company (PCRIC)- with a risk transfer pilot in one country. Preparatory work will also take place in 2023 to expand WFP's engagement with macro-level insurance in Latin America and the Caribbean to at least two additional countries for the 2024/25 hurricane season.

Over the next two years, WFP aims to protect **4.6 million people** from catastrophic climate shocks through macro insurance policies, across up to **23 countries**.



R4 beneficiary Fanta in her village in Kolda region, Senegal.

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Women walking near an irrigation system in their village in Malawi.

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